

REPORT DOCUMENTATION PAGE			Form Approved OMB No. 0704-0188	
Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget, Paperwork Reduction Project (0704-0188), Washington, DC 20503.				
1. AGENCY USE ONLY (Leave Blank)		2. REPORT DATE Jan - 30 Jun 1987 <del>May 1984 - June 1985</del>		3. REPORT TYPE AND DATES COVERED  Final
4. TITLE AND SUBTITLE  Chinese Military, Economic, and Political Reform: Survey and Chronology			5. FUNDING NUMBERS	
6. AUTHOR(S)  Ernestine H. Wang				
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES)  Federal Research Division Library of Congress Washington, DC 20540-4840			8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)  N/A			10. SPONSORING/MONITORING AGENCY REPORT NUMBER	
11. SUPPLEMENTARY NOTES  Prepared under an Interagency Agreement				
12a. DISTRIBUTION/AVAILABILITY STATEMENT  Approved for public release; distribution unlimited.			12b. DISTRIBUTION CODE	
13. ABSTRACT (Maximum 200 words)  This is a selective compilation of China's major military, economic, and political reforms. The study is based on a variety of sources, including United States, Chinese, and other foreign newspapers, periodicals and wire services, and articles from books and journals on Chinese history, economy, and military.				
14. SUBJECT TERMS  China Economy National security  Politics			15. NUMBER OF PAGES  Various lengths	
			16. PRICE CODE	
17. SECURITY CLASSIFICATION OF REPORT  UNCLASSIFIED	18. SECURITY CLASSIFICATION OF THIS PAGE  UNCLASSIFIED	19. SECURITY CLASSIFICATION OF ABSTRACT  UNCLASSIFIED	20. LIMITATION OF ABSTRACT  SAR	



---

**CHINESE MILITARY, ECONOMIC, AND POLITICAL  
REFORMS: SURVEY AND CHRONOLOGY**

**January 1 - June 30, 1987**

*A Report Prepared under an Interagency Agreement  
by the Federal Research Division,  
Library of Congress*

**June 1987**

*Authors: Donald R. DeGlopper  
Michael Waddle*

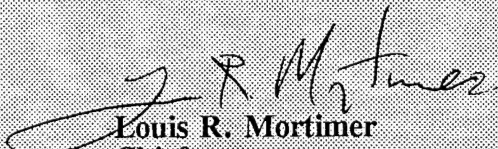
*Federal Research Division  
Library of Congress  
Washington, DC 20540-4840*

Dear Reader:

This product was prepared by the staff of the *Federal Research Division* of the *Library of Congress* under an interagency agreement with the sponsoring United States Government agency.

The Federal Research Division is the Library of Congress's primary fee-for-service research unit. At the request of Executive and Judicial branch agencies of the United States Government and on a cost-recovery basis, the Division prepares studies and reports, chronologies, bibliographies, foreign-language abstracts, databases, and other tailored products in hard-copy and electronic media. The subjects researched include the broad spectrum of social sciences, physical sciences, and the humanities.

For additional information on obtaining the research and analytical services of the Federal Research Division, please call 202-707-9905, fax 202-707-9920), via Internet [frd@mail.loc.gov](mailto:frd@mail.loc.gov), or write to *Marketing Coordinator, Federal Research Division, Library of Congress, Washington, DC 20540-4840*.



Louis R. Mortimer  
Chief  
Federal Research Division  
Library of Congress  
Washington, DC 20540-4840

## PREFACE

This survey examines the course of Chinese military, economic, and political reforms as reported between 1 January and 30 June 1987. For each topic, a brief statement of ultimate goals is followed by a discussion of the policy statements and key actions of the period. A chronological list of such statements and events is appended. The study is based on a variety of open sources, including US, Chinese, and other foreign newspapers, periodicals, wire services, books, and journals.



## CONTENTS

	<u>Page</u>
SUMMARY .....	iv
1. INTRODUCTION .....	1
2. MILITARY REFORM .....	1
a. Demobilization .....	2
b. Specialized Units .....	2
c. Reserves .....	2
3. ECONOMIC REFORM .....	3
a. Managerial Responsibility Systems .....	3
b. Deferral of Price Reform .....	4
c. Industrial Partnership Concerns .....	4
d. Pension Plans .....	5
e. Incremental Reform .....	5
f. Economic Reform Becomes Political Reform .....	6
4. POLITICAL REFORM .....	6
a. The Conservative Offensive .....	6
b. Controlling the Press .....	7
c. Controlling the Peasants .....	7
d. Degree and Scope of Control .....	8
e. Controlling Ideology .....	8
f. Socialism .....	9
g. The Party Line .....	9
h. The Thought of Deng Xiaoping .....	9
i. Democracy .....	10
j. Political Reform Remains a Goal .....	10
5. PROSPECTS FOR REFORM .....	11
a. Impasse at the Top .....	11
b. Initiative at the Bottom .....	11
CHRONOLOGY .....	12

## SUMMARY

In the first half of 1987, the success of China's reform program was called into question because of the outbreak of the most serious political strife in a decade. The central issues in the political struggle were the scope of the proposed reforms of the economic and political system (military reform was not an issue), and the extent to which the reforms might threaten the authority of the Chinese Communist Party (CCP). The reforms, intended to produce a more professional and efficient operation of the armed forces, industry, and state administration, were criticized by opponents as contrary to the basic principles of the party and as severe threats to party authority. Proponents of reform countered by separating reform initiatives, which they characterized as experiments and expedients, from basic principles, such as party leadership or the guiding and legitimizing role of Marxism. The proponents denied any contradiction between reform and the Four Cardinal Principles--the socialist road, the people's democratic dictatorship, the leadership of the Communist Party, and the guiding role of Marxism-Leninism and Mao Zedong thought. Both sides were committed to party rule and a dominant economic role for state planning and state-owned enterprises. They differed, however, in the degree and scope of control they considered necessary to ensure social order and to promote economic growth and overall modernization.

Incremental reforms continued in the armed forces and in the economic structure of various cities and regions. The People's Liberation Army (PLA) was reducing its numbers by one million soldiers, concentrating on improving the quality of the officer corps, and restructuring its forces to meet the demands of modern war. Limited experiments in economic reform, such as hiring managers for state factories on performance contracts or permitting banks to trade and discount commercial paper, were becoming more widespread standard practices. Deng Xiaoping declared that a plan for political reform, concentrating on improving the quality and performance of cadres, would be introduced at the October 1987 CCP Congress. Future reform depended on the momentum and political support the reform program had developed at local and regional levels, and on the economic and political costs of the steps that would be necessary to reverse it. With a likely impasse between the proponents and opponents of reform at the central level, further progress in reform would consist of small steps initiated by leaders at the municipal and provincial levels.

## 1. INTRODUCTION

The reform effort promoted in the 1980s by Deng Xiaoping and his associates Premier and CCP acting General Secretary Zhao Ziyang has aimed at transforming the Chinese state and society on a magnitude of that attempted in the Great Leap Forward (1958-1960) and the Cultural Revolution (1966-1976). Other leaders, such as economist Chen Yun or head of the National People's Congress Peng Zhen, have not considered total or wide-ranging changes necessary but agreed that some reforms are necessary, particularly in the economic sector. The contention between the proponents and opponents of the reform program, which had been apparent throughout 1986, came into the open with the January 1987 forced resignation of CCP General Secretary Hu Yaobang, accused of being "weak and lax" in opposing bourgeois liberalization. "Bourgeois liberalization," a vaguely defined pejorative term, referred to ideological tendencies that would limit the authority of the CCP. Primary manifestations occurred in the artistic and intellectual spheres and in political theory. Other examples of bourgeois liberalization included any advocacy of foreign practices or models and suggestions that the CCP loosen its direct control over managing factories or laboratories or that Marxist theories be modified in the light of experience. Many economic reforms were condemned by opponents of reform as capitalist, while their supporters declared them to be socialist.

Although proponents of the reforms, such as Zhao Ziyang, portrayed the reform program as a coherent whole, individual leaders could support some aspects of reform and oppose others. Overall, military reform, which aimed at professionalization and better coordination between specialized branches of the military, was the least contentious issue. Economic reform remained a topic of considerable dissension. Reformers discussed which of many experimental practices was most effective. Opponents questioned the socialist character of some practices and tried to link markets and private traders with corruption and fraud. Political reform, which had been the topic of much relatively open discussion (retroactively condemned as bourgeois liberalization) in 1986, became so controversial that it could be defined only by leaders with the stature of Deng Xiaoping.

## 2. MILITARY REFORM

Military reform, which had clearly defined goals, was the subject of little public controversy. During the first half of 1987, the primary goal of military reform remained creating a more professionalized and technically proficient armed force. This reform was to be accomplished while military spending remained limited. Modernization took the relatively low cost forms of improved training and administrative reorganization. Demobilization was accompanied by creating reserve forces. Minister of National Defense Zhang Aiping summed up the shift in "army building" over the past decade as one from preparation for an "early, big, and nuclear war" to normal peacetime operations. In a formulation with clear implications for future PLA force structure and choice of weapons, Zhang declared without elaboration that "the future war will be conventional war under threat of nuclear weapons." He listed the improvement of a "limited yet effective nuclear counterattack force" as one of the PLA's goals.

No major new reforms were announced, but a number of measures were taken to continue the deliberate transformation of the PLA into a modern, professional military force. These measures suggested a transformation with a life of its own, in which the inherent logic of professionalism and increasing specialization compelled organizational changes.

a. Demobilization

Demobilization and resettlement of soldiers and officers (first announced in June 1985) continued, with total reductions reaching 700,000 by January 1987. During 1987, a further 100,000 officers are to be transferred to civilian work, with 70,000 slated for local administrative, industrial and commercial areas. Most of these officers will be middle-aged and of middle rank. Their transfer to local government institutions or enterprises (rather than "retirement" or "demobilization") will permit them to retain their desirable status as state cadres. The program to train troops in civilian as well as military skills was reported to result in many demobilized enlisted personnel finding good jobs. This training program has led many young people to apply for enrollment in the PLA to learn a trade.

In the late 1980s, officers were better educated than ever before, with 97 percent of all "grassroots cadres" having at least a secondary education. One in six of such cadres was a college graduate. The military training program for college and some senior middle school students was expanded, including 104 colleges and an undisclosed number of secondary schools in the fall of 1987. To ensure a high educational level, the PLA Air Force began selecting flight cadets from those who had done well on the national college entrance examination and who qualified on physical and political grounds.

b. Specialized Units

The proportion of PLA troops in specialized units now outnumber the infantry. The largest number of troops in the ground forces were in the artillery, and 60 percent of all platoon and battery commanders were graduates of artillery academies. Armored units are now the major offensive force. Publicity about the PLA focused on specialized units such as the marines, the nuclear submarine sailors, and the hitherto unmentioned electronic warfare troops.

The PLA's command, control, and communications capabilities have been enhanced. A communications system including satellite and optical fiber data links now connects central headquarters with military regions and field armies. A computer network is being developed by 7,000 specialists and will automatically link central and field units. The result will be an effectively centralized armed force, able to respond more quickly and effectively.

c. Reserves

The reduction in the size of the standing army has been accompanied by an increase in the number of reserve troops. Some reserve units apparently incorporate militia elements, and the distinction between the reserves and the

militia remains somewhat unclear. The reserves also include engineering and communications specialists and special naval and air force reserve units.

In a major reform of the military industrial and procurement system, the National Defense Science, Technology and Industry Commission announced in March 1987 that the development and procurement of military equipment will operate through contracts and competitive bidding. The new system is intended to promote closer cooperation between military research institutes and factories and the military units that order and use the equipment. This new system also extends to the military sector practices such as contracts, competitive bidding, and cooperation between research and production units that are being instituted in the state sector of the civilian economy. Thus, the isolation and distinctiveness of the military industrial sector will be reduced.

### 3. ECONOMIC REFORM

Economic reform remained subject to continuing debate about goals and methods, and was a central issue in the most serious political struggle since Deng Xiaoping's accession to power in 1978. The attempt to limit the authority of CCP branches in factories demonstrated the linkage between economic and political reform. The political turmoil following the forced resignation of CCP General Secretary Hu Yaobang in January 1987 affected economic reform, and no new reforms were announced during the first half of the year. As it had in 1986, the National People's Congress, dominated by opponents of reform, continued to block reformist legislation such as the Enterprise Law. (The Enterprise Law would spell out the powers of factory managers and limit the managerial role of enterprise CCP branches and party secretaries.) Premier and CCP acting General Secretary Zhao Ziyang continued to call for reform and repeatedly insisted that the party's struggle against "bourgeois liberalization" (a vague term whose core of meaning is denial of party authority) should not affect economic reform. His repeated assertions of this position and later outright attack on "certain comrades" who considered reform efforts as capitalist indicate considerable opposition to economic reform within the ranks of the CCP.

Although the renewed stress on political orthodoxy and denunciation of tendencies toward bourgeois liberalization inhibited public discussion and advocacy of economic reforms, some discussion continued, particularly from March to June 1987. Much of the discussion concerned different forms of ownership, such as joint stock companies. Other discussions attempted to justify the socialist nature of various economic reform initiatives. Some articles in both economic journals and the daily press called for further reforms, seeing them as the only solution to current economic problems. The press continued to give favorable publicity to local experiments with reform, although relatively more criticism was voiced of private traders and their propensities toward tax evasion and consumer fraud than in previous years.

#### a. Managerial Responsibility Systems

Premier Zhao Ziyang continued to focus on reform of the management of state enterprises, urging widespread adoption of managerial responsibility

systems. The question of the intended limits to managerial authority and the nature of the relations between factory managers and enterprise CCP branches and party secretaries remained unsettled; frequent calls for cooperation and consultation provided little guidance. The repeated failure of the National People's Congress (NPC) to pass the Enterprise Law demonstrates the strength of the opposition to a measure that seems to threaten the authority of the CCP. In December 1986, after repeated deferrals, the NPC finally passed the Bankruptcy Law, permitting state enterprises to be declared bankrupt and closed down, but made implementation of the law contingent on passage of the Enterprise Law.

The delay in passing the Enterprise Law may also represent difficulty in drafting legislation that defines concretely powers and relations that have hitherto been broad, implicit, customary, and subject to much negotiation and leeway. The consequence, as proponents of reform point out, is that managerial structures in state enterprises exist in an administrative and legal limbo. These structures are often regarded as provisional, and subject to alteration or reversal as the political balance shifts at the local or national level.

#### b. Deferral of Price Reform

Price reform continued to be postponed. Since 1981 Chinese economists and such political leaders as Premier Zhao Ziyang and Vice Premier Tian Jiyun have recognized that China's system of centrally controlled prices is a primary cause of the inefficiencies that afflict the economy. Describing the price system as "irrational" and failing to conform with "The Law of Value," the October 1984 CCP Central Committee "Decision on the Reform of the Economic Structure" called price reform "the key to the reform of the entire economic structure." Many of the proposed economic reforms, such as granting greater authority to factory managers or allocating capital by bank loans rather than administrative grants, require a rational price system to operate effectively. Although the theoretical arguments for price reform are compelling, implementing price reform is a difficult political task because benefits are diffuse and common while penalties are obvious and felt by a powerful few (such as local authorities operating inefficient factories) who can complain and mobilize political influence to neutralize the effects of price reform. Often, leaders use the excuse that price reform will cause inflation.

China's reformist leaders, therefore, have been very cautious in implementing price reform, describing it as a gradual process that will be carefully monitored to ensure that the public will not suffer from rising prices. The State Council ordered tighter price controls in 1987 and issued regulations prohibiting unauthorized price increases. In March the Director of the Chinese Academy of Social Sciences' Institute of Economics said that the leadership had decided to postpone price reform until enterprise management had been improved.

#### c. Industrial Partnership Concerns

Experiments with new forms of industrial organization continued. Scientific institutes doing applied research were to be amalgamated with



factories to better link research with production. Both the State Commission for Economic Restructuring and the State Council promoted the development of Industrial Partnership Concerns. Such concerns centered on a major industrial enterprise that subcontracted the production of components or provision of services to smaller enterprises. Industrial Partnership Concerns were praised in the press for breaking down administrative barriers between regions and between the state and between collective and private sectors of the economy. The press held up as an example Wenzhou, where state enterprises are buying shares in private factories. The increasing incidence of contracting, subcontracting, and sales of shares and bonds, along with the gradual increase in the proportion of goods allocated through markets rather than administrative orders, could blur the distinctions separating the state, collective, and private sectors. In turn, reformist leaders could use this strategy to defuse the political issue posed by the existence of a highly visible private sector within a supposedly socialist economy.

#### d. Pension Plans

In another move with far-reaching potential consequences, a new pension scheme is to go into effect by late 1987. Pensions will be the responsibility of a municipal or provincial pension fund rather than of each enterprise. The immediate purpose of the new scheme is to remove the inequitable pension burden from some older enterprises that could not compete with newer units with younger workforces. The long-term consequence, however, will be to facilitate labor mobility and to weaken the bond between workers and their work units. The authorities also announced the first step toward creating a nationwide social security system by establishing a limited disaster insurance program for rural residents. The inclusion of peasants, who have hitherto depended largely on their families and villages for old age and disaster benefits, is a significant step with the potential for reducing the gap in living standards and social status between China's urban and rural populations.

#### e. Incremental Reform

A good deal of change is going on in China's economic system, much of it at local initiative and subject to only general guidelines from Beijing. The reforms result from a combination of local initiative, bureaucratic inertia, the tendency for changes in one sector of the economic system to generate changes in others, and the need to respond to immediate problems such as the shortage of investment funds or the clear need for more flexible credit instruments.

In 1987 practices that had been initially experimental were becoming widespread. Many cities and provinces stepped up the leasing of small and medium state enterprises and employed both workers and managers under contracts, making what had formerly been experimental the norm. Local governments continued to take small steps, such as permitting the sale and private construction of urban housing or opening an employment exchange. These small measures taken cumulatively could bring about a major change in economic structure. Other new measures, particularly those involving the development of credit instruments and financial markets, represented responses

to urgent problems generated by economic expansion. The process of creeping economic reform has operated at different rates in different cities, but appears to have continued in localities across China and to have been little affected by the political struggle in Beijing.

#### f. Economic Reform Becomes Political Reform

The evident impasse in the effort to pass an Enterprise Law and the press debate on the socialist nature of shareholding or turning state enterprises into joint stock companies demonstrated the political import of economic reform issues and the links between economic and political reform. Although reform programs instituted by local governments could undoubtedly be stopped by a determined central leadership, the economic and political costs of efforts to reverse a process with its own constituency, momentum, and internal logic would be high.

### 4. POLITICAL REFORM

In early 1987, the prospects for political reform, which had been extensively discussed in 1986, were not promising. In January 1987, CCP General Secretary Hu Yaobang, who had been a leading advocate of political reform, was forced to resign, and three intellectuals were expelled from the party for advocating bourgeois liberalization. The relatively open discussion of political problems and reforms that had characterized 1986 ended, replaced by calls to uphold the "Four Cardinal Principles" (the socialist road, the people's democratic dictatorship, the leadership of the Communist Party, and Marxism-Leninism and Mao Zedong thought). With renewed party emphasis on loyalty and obedience, strict limits on discussion, and political attacks on leaders who had promoted reform, political reform appeared to be a dead issue. The topic, however, was revived at the highest levels, when, beginning in March, Deng Xiaoping told a series of foreign dignitaries that political reform remained a goal. Deng announced that a plan for political reform would be introduced at the 13th CCP Congress in October 1987. In June he was reported to have told visiting Yugoslavian leader Stefan Korosec that "The reform is total, including the economic and political fields." He added "I'm for reform. We have no other way to go."

#### a. The Conservative Offensive

In early 1987, opponents of reform took the offensive, filling the press with articles denouncing bourgeois liberalization, total Westernization, and deviation from Marxist orthodoxy. Such opponents of reform, commonly referred to either as leftists or as conservatives, are conservative in opposing significant changes in China's economic or administrative structure. These reform opponents are leftist in emphasizing the primacy of politics, concerns for ideology, and their consequent desire for strict controls on intellectual and artistic activity. By June they had suffered an apparent setback in their efforts to reverse the reformist trend that had prevailed since 1978. Some observers attributed the apparent decline in their political fortunes to their failure to provide a credible policy alternative to the reform scenario put forward by Deng and his associates such as Zhao Ziyang. Political struggles continued, however, and the prospects for further reforms

remained clouded. The political reform proposed by Deng Xiaoping was a narrow, minimal program intended to improve the performance of existing party and government structures. Political reform was to be imposed from above and to present no challenge to party authority.

In the first half of 1987, political reform was more often advocated or discussed than practiced; most discussion remained at a fairly high level of abstraction, employing deliberately imprecise language. The only indications of what constitutes political reform were provided by press descriptions of concrete administrative actions as political reform and by ideological formulations used to justify or condemn economic or administrative initiatives.

#### b. Controlling the Press

An explosive growth in the number of books, magazines and newspapers published in China occurred in the 1980s, many of them profit-making ventures sponsored by local enterprises and local government bodies. Some of the magazines and papers have published sensational stories having little literary merit, but they sell. Others have published investigative journalism exposing the corruption and malfeasance of some local party cadres as well as political discussions departing from strict Marxist orthodoxy. The conservative opponents of reform regarded the growth of such publications as a manifestation of bourgeois liberalization, and in early 1987, attempted to impose stricter controls on the press and on individual writers.

The new government Office on Press and Publications was the mechanism for controlling the press. The Office was established with little publicity in March, and headed by Du Daozheng, an associate of conservative ideologue Deng Liqun. The new office had sole authority to register news-papers and periodicals. All serial publications were required to reregister. Those regarded by the office as tainted with bourgeois liberalization were to be closed down, with registration denied. In late May, the Hong Kong press reported a rumor that Du and his conservative colleagues had decided to close two-thirds of the publications in China. One of Du's deputies from the Office on Press and Publications denied this rumor at a Hong Kong news conference on 8 June, but confirmed that the reregistration of all media would begin in July 1987. The usually reliable Hong Kong China News Analysis reported that the Office on Press and Publications had been attempting to close newspapers in Sichuan, Shanghai, and Guangxi, but was meeting with stiff resistance from local party committees. Censoring the great volume of published materials before publication was impossible for the Office on Press and Publications with a staff of some 400 people. They could rely only on post-publication punishment and intimidation to enforce ideological conformity.

#### c. Controlling the Peasants

In March 1987, the NPC debated a proposed law on the composition, rights, and responsibilities of village management committees. Since 1982, such committees have been established in most of China's 900,000-plus natural villages, taking over some of the management of village assets formerly exercised by the commune and production brigade structure. Reports of the

debate published in the mainland and Hong Kong presses stated clearly that the village committees were controversial because they raised the possibility of a public organ, even at the lowest level, that would not be under the strict administrative control of the state or party. The question was whether the committees were to function as quasiautonomous bodies, with members directly elected by villagers, or as agents of the state administration, enforcing regulations handed down from above. Delegates to the NPC reportedly expressed concern about village-level compliance with state programs for grain production, family planning, and conscription. Those arguing for greater autonomy and direct public participation pointed out that the laws and state regulations must be obeyed no matter how village committees were composed. Reliable Hong Kong commentators claimed that those desiring to make the village committees state administrative organs were motivated by fear that peasants might elect rightists rather than CCP members to the committees.

#### d. Degree and Scope of Control

The degree and scope of party and state control of society was the political issue dividing the proponents and opponents of the reform program. The reformists showed no signs of intending to alter the dominant role of the CCP or state direction of the economy. Reformists held that uncontrolled activity at the margins of the economy and the polity, as with free market traders or village committees or intellectuals discussing economic reforms, posed no threat and was probably beneficial. The conservative or leftist opponents of reform were unwilling to concede the slightest area of autonomy and were very sensitive to any potential threat to party authority. Reform opponents appeared motivated by the fear that without constant, close supervision society would dissolve into chaos, the party would be overthrown, and all the gains of the revolution would be lost.

#### e. Controlling Ideology

Ideology and ideological formulations are important in Chinese politics. Much of the discussion of political reform represented attempts by both sides to define common political symbols to their advantage and to control political discourse. On the whole the views and arguments of the reformers were represented in the press to a greater extent than those of their opponents. While the opponents took up much of the press in the first three months of the year, they preferred to denounce unnamed proponents of bourgeois liberalization and to extol devotion to socialism and the party. Opponents did not discuss concrete economic or administrative reforms, initiatives, or problems. In his May speech to the CCP Propaganda Department, Zhao Ziyang scornfully described such writing as stereotyped, cultural revolution rhetoric that had little effect on the readers' opinions. The proreform tilt to the press probably reflected the dominant (if not predominant) position of Deng Xiaoping, Zhao Ziyang, and their colleagues, and the need for the reformers to seek ideological justification for their economic initiatives. The reformers probably benefited from the tendency for China's news media to report positive, uplifting results for all government actions, including experiments in reforms. The less visible arguments of the opponents of reform were apparently confined to innerparty channels, but could be inferred from the elaborate arguments of reform advocates, clearly responding to unpublished charges.

#### f. Socialism

The definition and limits of socialism constituted a primary ideological issue. Opponents of reform labelled economic reforms as "capitalist;" and regarded all tendencies to depart from what they interpreted as "the socialist road" as major threats to the authority of the CCP. Reformers countered by accusing their opponents of holding "dogmatic" or "mentally ossified" attitudes, and argued that all proposed reforms fell within the broad category of socialism. An increasingly common formulation was that China was in the initial stage of socialism, with a long way to go before achieving a higher stage of socialism. This approach considered the transition to socialism as a long process, to be measured in decades or centuries, and marked by necessary stages. Social and economic forms appropriate to one stage are inappropriate to another. The initial stage of socialism is marked by a low level of development of productive forces and hence a low standard of living. The achievement of the high levels of production necessary for advanced socialism will require many decades of effort.

The temptation toward bourgeois liberalization was attributed to popular dissatisfaction with low standards of living and consequent failure to appreciate the superiority of socialism over capitalism. The primary task, as well as the most effective way to combat bourgeois liberalization, was the development of productive forces. To that end, if a combination of central planning and market allocation or a variety of ownership forms proved effective in promoting economic growth, such means were appropriate. As long as the CCP retained its authority and the state enforced overall economic plans and supervised the limited market sector, the economy could be considered socialist. Within this formulation, reform, or any specific economic policy or practice, could not be considered as opposed to socialism. Rather, reforms were means or techniques to be selected, discarded, or modified to the extent they proved effective in promoting economic development.

#### g. The Party Line

The relation between the ultimate goal of socialism and the immediate, pragmatic expedients of economic and political reform was summed up in the phrase "the party's line since the Third Plenum" (1978). As defined by acting General Secretary Zhao Ziyang, the line intended to guide policy formulation has two components--upholding the four cardinal principles and adhering to the policy of reform and opening up. The components were declared to be interdependent and to form a complete whole. This formulation avoids issues of definition or of the limits of socialism or Marxism, and means that those opposing specific reforms in the name of socialism or Marxism can be accused of failure to understand or to follow the party line.

#### h. The Thought of Deng Xiaoping

To bolster their ideological position, those favoring reform appealed with increasing frequency to the personal authority of Deng Xiaoping, as a political tactic. Collections of Deng's speeches were published and old speeches republished with much fanfare. The speeches were described as providing authoritative diagnoses of problems and guidance for policy making.

In a major speech to party propaganda workers in May, Zhao Ziyang said that correctly understanding Deng Xiaoping's ideas on reform was necessary. In June the party theoretical journal Honggi, usually a vehicle for the conservative or leftist wing of the CCP, published an article "Study Deng Xiaoping's Thoughts on Reform" telling readers in no uncertain terms that "Comrade Deng Xiaoping's thoughts on reform and opening up and adherence to the four cardinal principles constitute an integral whole based on reality." Reform is justified more by appeal to the authoritative thought of an elderly leader than by arguments in terms of efficiency or the results of experiments and practice.

#### i. Democracy

Somewhat surprisingly, democracy, which had been a major theme in the relatively open discussions of political reform in 1986, and the goal of the student demonstrations in December 1986, remained a positive, though poorly defined, political symbol. In his annual report to the NPC on the work of the government, Premier Zhao Ziyang included the attainment of "a high level of socialist democracy with Chinese characteristics" as a long-term goal. Publicity praised the democratic qualities of the National People's Congress (NPC), which is dominated by opponents of reform such as Peng Zhen and has successfully blocked or modified much reform legislation. These democratic qualities were displayed in what were described as unprecedented levels of debate, criticism of government actions, and by some opposing votes on matters before the Congress. In state enterprises, the workers congresses reportedly were playing a growing role in the "democratic assessment" of cadres, who could be rewarded or dismissed as a result of the assessment. (How this practice was congruent with greater managerial authority and responsibility was not clear. The enterprise workers' congresses, which are in most cases dominated by the party branch, might possibly serve as vehicles for continued party control over managers.) Instituting democracy was also a major theme in the discussions of the proposed law on village committees.

As indicated by the examples cited in the press, democracy or "socialist democracy with Chinese characteristics" seems to refer primarily to open communication between leaders and the public and to the ability of citizens or their representatives to comment on the actions of administrators and managers. In theoretical or ideological terms, democracy is seen as a remedy for "bureaucratism"--the arbitrary and self-seeking behavior of appointed officials. Significantly, democracy, an ill-defined term whose meaning differs from that in Western countries, appears to have sufficient appeal not only to survive the crackdown on bourgeois liberalization but to be used to legitimize the platforms of contending political groups.

#### j. Political Reform Remains a Goal

In a series of well-publicized meetings with visiting foreign dignitaries, Deng Xiaoping stated clearly that political reform remained a goal, and that a plan for political reform would be presented at the October 1987 CCP Congress. His version of political reform was clearly a limited plan intended to improve the operation of the existing party and state structure rather than to change it in any major way. Reform efforts would improve the



performance of cadres by selecting younger, better-educated personnel, who would be subject to clearly defined criteria for appointment to and dismissal from office. Bureaucratic tendencies would be remedied by legal and administrative controls on official conduct and by the institutionalization of democratic mechanisms for the expression of public opinion and criticism of official conduct. Some authority for day-to-day and routine operations would be delegated to lower levels of personnel and professional managers, to "invigorate" their performance. In what would doubtless prove the most difficult part of the reform to implement, the work of the CCP would be separated from that of the government. This version of political reform concentrated on reforming the cadre system and improving the work of cadres.

## 5. PROSPECTS FOR REFORM

### a. Impasse at the Top

The immediate prospects for reform clearly depend on the political struggle within the CCP. Although the outcome of the struggle remains uncertain, the events of the first half of 1987 clarified several aspects of reform and the politics of reform. The extent of the divisions within the CCP was apparent, as was the impasse that appeared to be the result of a nearly even match between the contending sides. At the central level, each side seemed able to block the more extreme initiatives of the other (whether in censoring the press, persecuting intellectuals, or declaring factories bankrupt). The opponents of reform secured a victory with the removal of Hu Yaobang, but gave the impression of lacking a coherent program to provide an alternative to the extensive and detailed economic reforms proposed by the reformers. To the extent that they were grappling with concrete economic and administrative problems rather than ill-defined ideological tendencies, the reformers retained some initiative and authority. While China's economy was not in serious trouble (Gross Domestic Product is expected to grow by 13 percent in 1987), numerous problems existed, such as the foreign trade deficit, the growing disparities between regions, and the continued poor performance of highly subsidized state industries, all problems that required attention and action by the central government.

### b. Initiative at the Bottom

At the local level, the process of incremental economic reform continued. These reforms were pushed by the attempts of local and regional officials to respond to immediate problems and to take advantage of opportunities presented by central government's encouragement to experiment. While gauging the force of the pressures for reform or gauging the constituency within the CCP favoring reform is difficult, such forces clearly exist at the local and regional levels. The pressures and constituencies result from the growth and differentiation of China's economy that have taken place since the 1950s. The momentum for reform, or at least for change, is likely to continue regardless of who wins the political struggle at the highest level, or even if a likely political deadlock persists at that level.

## CHRONOLOGY

The following abbreviations are used in the Chronology:

CCP	Chinese Communist Party
NPC	National People's Congress
PLA	People's Liberation Army

# POLITICAL REFORM

RECORD: 311

Objectives	GOVERNMENT
Subobjectives	Leadership
Indicators	An enlarged meeting of the CCP Central Committee Political Bureau approves Hu Yaobang's resignation from the post of General Secretary of the Party Central Committee and elects Premier Zhao Ziyang as acting General Secretary. The Political Bureau issues a communique stating that Hu Yaobang made a self-criticism of his mistakes on issues of major political principle. The enlarged meeting urges continued adherence to the political line, principles, and various domestic and foreign policies adopted by the Party Central Committee since the Third Plenary Session of the 11th Central Committee. It also calls for loyalty to the four cardinal principles (the socialist road, the people's democratic dictatorship, the leadership of the Communist Party, and Marxism-Leninism and Mao Zedong Thought) and resistance to bourgeois liberalization.
Sources	"Hu Yaobang Resigns From Top Job, Zhao Ziyang Elected to Take Over," <u>China Daily</u> (Beijing), 17 January 1987, p. 1.
Item Date	87/01/17

RECORD: 315

Objectives	GOVERNMENT
Subobjectives	Democratization
Indicators	While on a visit to Hungary, Premier Zhao Ziyang criticizes Hu Yaobang for his overzealous support of rapid political reform. Zhao claims that China will continue to advance an open door policy and support the "creativity of intellectuals in socialist construction." He stresses that the campaign against bourgeois liberalization will not develop into a political movement, stating that "leftist" practices of the past (Cultural Revolution, 1966-76) will not be repeated.
Sources	"Zhao Ziyang Reportedly Criticizes Hu Yaobang," Hong Kong AFP, 19 Jan 1987, in FBIS/China, 20 January 1987, p. K3.
Item Date	87/01/19

RECORD: 314

Objectives	GOVERNMENT
Subobjectives	Policy
Indicators	<u>Nongmin Ribao</u> (Beijing) publishes an editorial arguing that opposition to bourgeois

POLITICAL REFORM

Continued

liberalization does not mean changing rural economic policies. Rural economic reform and the four cardinal principles should not be set against each other. The experiments in reform of the monetary and commercial systems should not be treated as bourgeois liberalization.

Sources Nongmin Ribao (Beijing), 21 January 1987, in FBIS/China, 30 January 1987, p.K31  
Item Date 87/01/21

RECORD: 312

Objectives GOVERNMENT

Subobjectives Policy

Indicators A new bureau is created to tighten the government's control over the press. The new office will establish and enforce press and publishing policies, and will screen all new books, magazines, and publishing ventures.

Sources "China Clamps Controls on Press, Publishing: Government Establishes New Bureau," Washington Post, 23 January 1987, pp. A21, A24.  
Item Date 87/01/23

RECORD: 316

Objectives GOVERNMENT

Subobjectives Policy

Indicators Asiaweek (Hong Kong) argues that the conservative backlash will impede progress toward political reform. Senior officials state that political reform will only be addressed after significant headway has been made in economic reform. Secretary General of the State Council, Chen Junsheng, proclaims that "democracy must progress in lockstep with modernization." The CCP Central Committee's No. 1 Directive for 1987 states that China will devote the entire year to mass education on "the superiority of socialism and inferiority of bourgeois liberalism." The conservative onslaught shows that Deng Xiaoping supports political reform only if it does not challenge the authority of the Communist Party.

Sources "Now, The Big Chill," Asiaweek (Hong Kong), 25 January 1987, pp. 8-14.  
Item Date 87/01/25

RECORD: 313

Objectives GOVERNMENT

Subobjectives Policy

## POLITICAL REFORM

### Continued

Indicators Zhao Ziyang, Premier and acting General Secretary of the CCP, states that China must not change its policies of conducting "all-round" reform, opening up to the outside world, and respecting the role of knowledge and intellectuals. He stresses that bourgeois liberalization should be controlled through education rather than "political movement."

Sources "Zhao Ziyang Reiterates Unchanging Policies," Wen Wei Po (Hong Kong), 28 January 1987, p. 1, in FBIS/China, 28 January 1987, p. K4.

Item Date 87/01/28

### RECORD: 321

Objectives GOVERNMENT  
Subobjectives Policy  
Indicators A Renmin Ribao (People's Daily) editorial urges limiting the campaign against "bourgeois liberalization" to the party rank and file, stating that suppression of criticism outside the party is "impermissible." The editorial may reflect concern that the campaign is hindering Deng Xiaoping's economic reform program.

Sources Gargan, Edward A., "Chinese Limit Campaign to Party," The New York Times, 3 February 1987.

Item Date 87/02/03

### RECORD: 317

Objectives GOVERNMENT  
Subobjectives Policy  
Indicators The new campaign against bourgeois liberalization differs from the 1983 drive to oppose spiritual pollution because it narrows the range of semantic ambiguity around the key concepts of socialism and party leadership, an ambiguity which reformers have exploited. The selective purge of individual liberals from the party is intended to demarcate the limits of acceptable discourse. In the economic field, conservatives have been calling for more central planning, more controls over the economy, and enhanced authority for party secretaries in factories. A newly-promoted editor of Jingji Ribao (Economic Daily) explained that it is the duty of the party secretary to make sure that the decisions of the factory manager do not deviate from the socialist road.

# POLITICAL REFORM

## Continued

Sources Robert Delfs, "Gathering Momentum: Conservative Backlash Broadens and Intensifies," Far Eastern Economic Review (Hong Kong), 5 February 1987, pp.12-13

Item Date 87/02/05

RECORD: 410

Objectives GOVERNMENT  
 Subobjectives Ideology  
 Indicators A commentary in Jiefangjun Bao (Liberation Army Daily) praises the spirit of Lei Feng. Lei Feng, an exemplar of the Maoist period, was an ordinary soldier who desired to serve the people and the party selflessly. Lei's selflessness and devotion to the party and the people are described as being as relevant to conditions of the 1980s as they were to those of the 1960s. The individuals expelled from the CCP in January 1987 for advocating bourgeois liberalization are derided for their alleged vilification of Lei Feng.

Sources "The 'Spirit of a Screw' of Lei Feng Glitters," Jiefangjun Bao (Beijing) 6 February 1987, in FBIS/China, 19 February 1987, pp.K38-39

Item Date 87/02/06

RECORD: 409

Objectives GOVERNMENT  
 Subobjectives Policy  
 Indicators The PLA General Political Department issues a circular requiring CCP committees and political institutions throughout the armed forces to carry out education in opposing bourgeois liberalization and upholding the four cardinal principles. All cadres, fighters, workers and staff members are required to participate in this education.

Sources Xinhua (Beijing) 17 February 1987, in FBIS/China, 19 February 1987, pp.K34-35

Item Date 87/02/17

RECORD: 322

Objectives GOVERNMENT  
 Subobjectives Policy  
 Indicators The Headquarters of the Chinese People's Armed Police urges leading cadres to take the lead in studying documents and organizing cadres and fighters to actively participate in positive education on upholding the four



POLITICAL REFORM

Continued

cardinal principles and opposing bourgeois liberalization.

Sources Renmin Ribao (Beijing) 19 February 1987, in FBIS/China, 16 March 1987, p.K20

Item Date 87/02/19

RECORD: 319

Objectives GOVERNMENT  
Subobjectives Policy  
Indicators Premier Zhao Ziyang states that China is irreversibly committed to the reform process and that the leadership has no intention of changing policies. He adds that there is no chance of a leftist comeback, since it is against the wishes of the Chinese people. Zhao sees the struggle against bourgeois liberalization as an assertion of the leadership of the Chinese Communist Party and the relevance of the socialist system. He argues that the need to adhere to the four cardinal principles, the reform program, and the policy of opening to the outside world are inseparable.

Sources "Zhao Says Reform, Opening Policies 'Irreversible'," Xinhua (Beijing), 24 February 1987, in FBIS/China, 25 February 1987, p. K1.

Item Date 87/02/25

RECORD: 318

Objectives GOVERNMENT  
Subobjectives Policy  
Indicators Secret party documents confirm that Deng Xiaoping ordered the sharp crackdown on the student demonstrations that took place in late 1986 and early 1987. Deng held up as a model the Polish declaration of martial law and implementation of other tough measures to suppress the "Solidarity" union in 1980. He insisted that the four basic principles and the people's democratic dictatorship be respected to insure stability and unity. A secret report written by Bo Yibo, Vice Chairman of the Party's Central Advisory Commission, called for the formulation of a system that would restrict the authority of the party general secretary, arguing that the state government should be based on an institutional framework rather than individual rule.

POLITICAL REFORM

Continued

Sources "Deng Urged 'Stern Action' Against Liberalism," Kyodo (Tokyo), 26 February 1987, in FBIS/China, 27 February 1987, pp. K1-2.  
Item Date 87/02/27

RECORD: 412

Objectives GOVERNMENT  
Subobjectives Ideology  
Indicators Leading members of the CCP Central Committee attend a "Learn From Lei Feng Spirit" Forum and agree that the Lei Feng spirit will never be out-of-date. Yu Qiuli, director of the PLA General Political Department, gives a speech urging emulation of Lei Feng's spirit of selflessness and diligence and his study of Marxism-Leninism-Mao Zedong Thought. The Forum was sponsored by the Propaganda department of the CCP Central Committee, the PLA General Political Department, and the Communist Youth League Central Committee.  
Sources Xinhua (Beijing) 5 March 1987, in FBIS/China, 9 March 1987, pp.K5-9  
Item Date 87/03/05

RECORD: 414

Objectives GOVERNMENT  
Subobjectives Reorganization  
Indicators China's newly-established Media and Publications Office is now the final authority on the publication of new materials and the sole approving authority for the establishment and registration of any new publication. The Office enjoys a status equal to an independent ministry under the State Council, and has taken over the State Publications Bureau.  
Sources Hongkong Standard, 13 March 1987, in FBIS/China, 13 March 1987, pp.K26-27  
Item Date 87/03/13

RECORD: 413

Objectives GOVERNMENT  
Subobjectives Policy  
Indicators Addressing the CPC Central Committee Propaganda Department, Premier and acting CCP General Secretary Zhao Ziyang says that the effort to oppose bourgeois liberalization will require decades and must be carried out through long-term education, rather than through one or two campaigns or a few meetings.

## POLITICAL REFORM

### Continued

Sources Edward Gargan, "China Sees Long War on Western Ideas," New York Times, 15 March 1987, p.3  
Item Date 87/03/15

RECORD: 415

Objectives GOVERNMENT  
Subobjectives Policy  
Indicators Addressing the Standing Committee of the Chinese People's Political Consultative Conference (CPPCC), Zhao Ziyang, Premier and acting General Secretary of the CCP, says that the trend of bourgeois liberalization has been checked. Zhao reiterates his earlier statements that the struggle against bourgeois liberalization should be a long-term effort which is limited to the CCP and carried out primarily through education and persuasion and will not affect reforms, the party's policy toward intellectuals, or the practice of democracy and criticism of leading cadres. He says: "No units and no leading cadres are permitted to suppress democracy under the pretext of 'opposing liberalization.'"  
Sources Xinhua (Beijing) 15 March 1987, in FBIS/China, 16 March 1987, pp.K2-6  
Item Date 87/03/15

RECORD: 418

Objectives GOVERNMENT  
Subobjectives Policy  
Indicators Hong Kong observers argue that at a time when the national consensus on reform has been shaken the influence of the PLA will inevitably expand. The PLA, which has been publicizing its "superior tradition of comprehensive political work" and has led a campaign to emulate proletarian heroes such as Lei Feng, is presenting itself as a model for the whole country. While the PLA does not oppose reform in general, it is not pleased with some aspects of the current reform program, such as concentrating revenue on civilian investment, and the forced transfer of many officers to low-paying civilian jobs. The devolution of powers to local governments has led to struggles between military and civilian authorities over land use and industrial raw materials.  
Sources "Elders in Charge," Asiaweek (Hong Kong) 15 March 1987, pp.25-27

# POLITICAL REFORM

Continued

Item Date

87/03/15

RECORD: 419

Objectives

GOVERNMENT

Subobjectives

Ideology

Indicators

Chinese enterprises are conducting political education for their workers on upholding the four cardinal principles and opposing bourgeois liberalization. At the same time they are stressing that advocating the factory managers' responsibility system does not mean weakening the leadership of the party or advocating bourgeois liberalization. Enterprise reforms are not meant to follow the capitalist road. Importing technology and useful managerial know-how from foreign countries cannot be equated with "complete Westernization." Officials must not use the policy of opposing bourgeois liberalization as a pretext for suppressing workers' criticisms of bureaucracy and their just efforts to safeguard their lawful rights.

Sources

"Policy Guides Anti-Liberalization Drive," Beijing Review 16 March 1987, p.7

Item Date

87/03/16

RECORD: 421

Objectives

GOVERNMENT

Subobjectives

Policy

Indicators

The political victory of the CCP conservatives is unlikely to reverse the reforms already in place, but is intended to put drastic limits on the scope of further reform, particularly political reforms which might weaken party control. The primary purpose of the campaign against bourgeois liberalization has been to cripple the promotion prospects of cadres who have supported political liberalization or freedom of the press, and those whose careers are closely tied to Hu Yaobang.

Sources

Robert Delfs, "The Conservative Challenge Is Deeply Rooted," Far Eastern Economic Review (Hong Kong) 19 March 1987, pp.58-62

Item Date

87/03/19

RECORD: 422

Objectives

GOVERNMENT

Subobjectives

Policy

Indicators

In a meeting with visiting Canadian Governor-General Jeanne Sauve, Deng Xiaoping

## POLITICAL REFORM

### Continued

says that a tentative plan for political reform will be announced at the 13th CCP Congress in October 1987. He says that "China's open economic policy is sure to facilitate the political reform," and adds that "only by stepping up the domestic economy, especially by giving more decisionmaking power to grassroots units, can China give full play to the enthusiasm of the people and units nationwide."

Sources Xinhua (Beijing), 19 March 1987, in  
FBIS/China, 23 March 1987, p.J3  
Item Date 87/03/19

RECORD: 420

Objectives  
Subobjectives  
Indicators

GOVERNMENT  
Policy  
The Standing Committee of the NPC decides not to submit the draft law on state-owned industrial enterprises to the full session of the NPC. The Standing Committee feels that further investigation and study is necessary. The factory responsibility system should continue to be implemented nationwide, and the three regulations on industrial enterprises, issued in 1986 by the CCP Central Committee and the State Council, should continue to be observed.

Sources Xinhua (Beijing), 19 March 1987, in  
FBIS/China, 20 March 1987, p.K1  
Item Date 87/03/20

RECORD: 423

Objectives  
Subobjectives  
Indicators

GOVERNMENT  
Policy  
In his report on government work at the annual meeting of the NPC, Premier Zhao Ziyang says that a high level of socialist democracy with Chinese characteristics has always been an objective. China is now making thorough and systematic investigations and studies and will, on this basis, formulate a feasible reform scheme, which will define the principles, contents, priorities, and steps involved in political restructuring. Socialist democracy has to be progressively improved through reforming the political structure from top to bottom in an orderly way.

Sources Xinhua (Beijing), 25 March 1987, in  
FBIS/China, 25 March 1987, p.K17  
Item Date 87/03/25

# POLITICAL REFORM

RECORD: 424

Objectives	GOVERNMENT
Subobjectives	Policy
Indicators	Addressing a press conference during the NPC session, Vice Premier Li Peng denies that the NPC Standing Committee's decision not to submit the enterprise law to the full NPC marks a setback for economic reform. He says that the making of laws is a serious matter and that the enterprise law has been judged as needing revision. Asked about establishing the Ministry of Supervision (which was announced in November 1986), he replies that preparations and organizational work are underway.
Sources	"Three Vice-Premiers Hold Press Conference," <u>Beijing Review</u> , 6 April 1987, p.14
Item Date	87/03/28

RECORD: 426

Objectives	GOVERNMENT
Subobjectives	Policy
Indicators	Premier Zhao Ziyang's report to the NPC on the work of the government marks a compromise between the reformist and conservative elements of the leadership. The positions are not reconciled in the speech but are combined, and the the work report is uncharacteristically inconsistent. There are no economic reform initiatives and conservative economic views are represented in the emphasis on the role of the state sector and on the need to avoid excessive income differentials. Zhao restates the limits on the anti-liberalization campaign, but the inclusion of this topic in a report on the work of the government contradicts his claim that the campaign should be limited to the ranks of the CCP.
Sources	Robert Delfs, "Zhao's Balancing Act," <u>Far Eastern Economic Review</u> (Hong Kong), 9 April 1987, pp.12-13
Item Date	87/04/09

RECORD: 427

Objectives	GOVERNMENT
Subobjectives	Policy
Indicators	Deng Xiaoping tells visiting Swedish Prime Minister Carlsson that a tentative plan for political restructuring will be presented to the CCP's 13th Congress in October 1987.



POLITICAL REFORM

Continued

Sources Ta Kung Pao Weekly Supplement (Hong Kong) 9  
April 1987, p.3  
Item Date 87/04/09

RECORD: 430

Objectives GOVERNMENT  
Subobjectives Policy  
Indicators The NPC adopts in principle a draft organic law on Village Committees. The full NPC authorizes the Standing Committee to make further investigation and study and to amend the law in accord with the principles of the Constitution and the suggestions of the NPC deputies before it promulgates the law for trial implementation. Village committees were first set up in 1982, and by February 1985 the work was completed, with nearly 950,000 village committees established. According to the Constitution, the village committee is to be a self-governing organization at the grassroots level.

Sources Xinhua (Beijing) 11 April 1987, in  
FBIS/China, 13 April 1987, pp.K2-3  
Item Date 87/04/11

RECORD: 431

Objectives GOVERNMENT  
Subobjectives Policy  
Indicators The NPC deputies discussing the proposed law on village committees expressed opposing views. Many deputies felt that the draft law describing village committees as autonomous, grassroots mass organizations which receive guidance from the township government represents a significant step in the realization of direct democracy for China's 800 million rural residents. Others, however, felt that if the village committees were not government administrative organs, there would be no way to implement state decrees. They suggested that village committees be government organizations under the township administrations. Those arguing for more autonomy pointed out that laws and state regulations must be obeyed regardless of how village committees are constituted, and claimed that in many areas township governments are still attempting to rigidly control the work of peasants, setting arbitrary schedules for plowing and sowing.

POLITICAL REFORM

Continued

Sources "Reform of Political Structure, Autonomy for Peasants - NPC Deputies Argue Over Draft of Villagers' Law," Zhongguo Tongxun She (Hong Kong), 11 April 1987, in FBIS/China, 14 April 1987, pp.K24-25

Item Date 87/04/11

RECORD: 432

Objectives GOVERNMENT  
Subobjectives Policy  
Indicators The recently formed Office for News and Publications is headed by Du Daozheng, former editor of Guangming Ribao and an ally of conservative leader Deng Ligu. The Office has a staff of 400 and has decided to impose "ex post facto censorship" over the national media. The sheer volume of publications makes prior censorship impossible, but the office is said to have told editors that they will be severely penalized if they permit anything that reflects bourgeois liberalization to be published.

Sources Asiaweek (Hong Kong) 12 April 1987, p.21

Item Date 87/04/12

RECORD: 428

Objectives GOVERNMENT  
Subobjectives Policy  
Indicators In its last session the NPC watered down a new law that allows rural people to directly elect representatives to village committees. An unnamed source claims that the conservatives were afraid that "rightist" farmers might be elected to the village committees. Most NPC delegates were appointed as a reward for being model workers or political activists.

Sources "New Offensive From the Left," Asiaweek (Hong Kong), 19 April 1987, pp.28-29

Item Date 87/04/19

RECORD: 433

Objectives GOVERNMENT  
Subobjectives Democratization  
Indicators Workers' congresses have been playing an increasingly important role in the democratic management of industrial enterprises. Renmin Ribao (People's Daily) reports that by the end of 1986, some 367,000 enterprises had set up workers' congresses, and that it has become a practice for the congresses to appraise

## POLITICAL REFORM

### Continued

cadres. Such democratic assessment of cadres is combined with the examination, appointment and dismissal of cadres. During 1986, some 179,000 enterprises conducted democratic appraisals of a total of 941,000 leading cadres, of whom 106,000 were given awards and 9,000 were dismissed.

Sources Xinhua (Beijing), 19 April 1987, in  
FBIS/China, 21 April 1987, pp.K2-3  
Item Date 87/04/19

RECORD: 425

Objectives  
Subobjectives  
Indicators

### GOVERNMENT

#### Policy

The NPC session, which met from 25 March to 11 April, is cited as demonstrating increased democratization. The NPC has exercised its power to examine, discuss and approve the work reports of government bodies and the state budget. Delegates are free to express opinions, and votes are taken only after thorough study and debate. Voting is now done through pushing a button rather than through a show of hands. A high level of socialist democracy is important in the drive for modernization but China's low levels of economic development and education make it impractical to achieve a high level of democracy overnight. One NPC delegate who studied in the United States in the 1920s says that the NPC, consultation, and democratic supervision are more suited to China's realities than is Western-style democracy.

Sources Lu Yun, "China Speeds Up Democratization,"  
Beijing Review, 20 April 1987, pp.14-20  
Item Date 87/04/20

RECORD: 434

Objectives  
Subobjectives  
Indicators

### GOVERNMENT

#### Democratization

The heated debate at the NPC on the proposed law on village committees had three major aspects. The first was the effort to develop socialist democracy, which involves the higher levels such as the NPC and local People's Congresses performing the functions specified in the Constitution while the lower level, grassroots units practice direct democracy. The second was a concern for practical and administrative concerns. Some deputies, while agreeing with the need for peasants to develop

## POLITICAL REFORM

### Continued

the habits of democratic life, raised questions about state grain purchases, promotion of family planning, and conscription in the villages. Since peasants do not have a very high degree of democratic consciousness, they may not handle such matters very well. The third aspect, revision of the Constitution's provisions on the character of village committees, follows from such questions. A number of deputies felt that the Constitution should be revised so that the law clearly stipulates that village committees are under the leadership (rather than the guidance) of township governments, as otherwise many important tasks in rural work will not be done.

#### Sources

Bao Xin, "Letter From Beijing: On The Villagers' Committee Organization Law," Liaowang Overseas Edition (Hong Kong), 20 April 1987, in FBIS/China, 24 April 1987, pp.K10-12

#### Item Date

87/04/24

RECORD: 435

#### Objectives Subobjectives Indicators

#### GOVERNMENT

#### Ideology

Deng Xiaoping is reported by foreign news services (but not by Xinhua) to have told visiting Spanish Deputy Premier Alfonso Guerra that a persisting leftist trend within the CCP poses a danger to economic reforms. Deng is reported to have said that leftist inertia and "nostalgic leftists" who hoped to practice their counterproductive methods were still threats to economic development.

#### Sources

Agence France Press (AFP) (Hong Kong), 30 April 1987, in FBIS/China, 4 May 1987, p.G2

#### Item Date

87/05/04

RECORD: 429

#### Objectives Subobjectives Indicators

#### GOVERNMENT

#### Ideology

#### Building Socialism With Chinese

Characteristics, a collection of 44 speeches made by Deng Xiaoping between 1982 and January 1987, is published. The speeches - many published for the first time - demonstrate Deng's unhesitating preference for "the leadership of the party" over the "atmosphere of tolerance and democracy" that Zhu Houze, then CCP propaganda chief, promised

## POLITICAL REFORM

### Continued

intellectuals in 1986. The speeches set limits on reform and attempt to define the permissible range of political action and debate, condemning both "leftism" and the "tendency to be weak and lax" in opposing bourgeois liberalization. Although it contains many warnings of the dangers of leftism and dogmatism, the book is more conservative than the earlier Selected Works of Deng Xiaoping which contains speeches given from 1975 to 1982. Some of Deng's more forthright references to the example set by the Polish leadership's willingness to use dictatorial methods when necessary and his call to expel named intellectuals from the party (which were present in earlier, unofficial versions of the December 1986 and January 1987 speeches) have been deleted from the published texts.

#### Sources

"Deng's (Second) Thoughts," Asiaweek (Hong Kong) 5 April 1987, pp.14-15

#### Item Date

87/05/05

RECORD: 436

#### Objectives

GOVERNMENT

#### Subobjectives

policy

#### Indicators

With the re-registration of the print media in May 1987, as many as a third of all newspapers and magazines are to be closed down. Hong Kong sources claim that the CCP's Central Directive No. 10, based largely on a speech by Deng Liqun, divides China's newspapers and magazines into four categories, depending on the degree to which they have promoted bourgeois liberalization or "good spiritual policies." Those that have most seriously and consistently promoted bourgeois liberalization will be closed down, while those that have made serious errors but are influential among the intellectuals will not be closed but will have their editors replaced.

#### Sources

"A Blitz on Publications," Asiaweek (Hong Kong), 10 May 1987, p.24

#### Item Date

87/05/10

RECORD: 437

#### Objectives

GOVERNMENT

#### Subobjectives

Policy

#### Indicators

Regulations issued by the State Education Commission in April 1987 have reintroduced political standards for college enrollment.

## POLITICAL REFORM

### Continued

Students must "support the four basic principles," and those who oppose the four basic principles in either word or deed will not be admitted. Some students recommended by their senior middle schools may enter college without taking the national entrance examination. It is not clear what steps will be taken to prevent abuse of this system.

Sources Robert Delfs, "A Lesson For Students," Far Eastern Economic Review (Hong Kong), 14 May 1987, p.16

Item Date 87/05/14

RECORD: 438

Objectives GOVERNMENT  
Subobjectives Ideology  
Indicators An editorial on the struggle against bourgeois liberalization in the overseas edition of Renmin Ribao condemns formalism and the practice of engaging in political campaigns. It argues that since China is in the initial stages of socialism and the level of productive forces (and standard of living) remains below that of the developed capitalist countries, the superiority of socialism to capitalism is not obvious to all the populace. The solution to the problem of tendencies toward bourgeois liberalization, therefore, lies in developing the economy and conducting long-term, positive education. Deepening the struggle against bourgeois liberalization does not mean "organizing a campaign, making everyone go through the test, or creating a highly tense political atmosphere." In propaganda work, practice proves that dull and stereotyped party writing makes little impression on the masses.

Sources Renmin Ribao Overseas Edition (Beijing), 17 May 1987, pp.K2-4

Item Date 87/05/17

RECORD: 439

Objectives GOVERNMENT  
Subobjectives Ideology  
Indicators Zhao Ziyang, acting General Secretary of the CCP, makes an important speech stressing that the two basic points, adhering to the four cardinal principles, and promoting reform and opening up are inseparable, so that there should be no one-sided emphasis on either. He says that deepening the struggle against

## POLITICAL REFORM

### Continued

bourgeois liberalization does not mean organizing a campaign and making everyone "go through the test" (of ideological purity). It is necessary to correctly understand Deng Xiaoping's ideas on reform and not to stress only the four cardinal principles at the expense of reform. He criticizes unnamed "certain comrades" who, the moment they hear about reform and opening up, think that people want to negate party leadership. Certain other people even describe the current effective policies for economic reform as capitalist. These views are incomplete and erroneous. "Zhao Ziyang Corrects Erroneous Tendencies," Wen Wei Bao (Hong Kong), 18 May 1987, in FBIS/China, 18 May 1987, p.K1

Sources

Item Date 87/05/18

RECORD: 440

Objectives GOVERNMENT  
Subobjectives Policy  
Indicators An editorial in Beijing Review argues that reform of the political structure has not been shelved because of the struggle against bourgeois liberalization. Cadres should be revolutionary, younger, well educated, and professionally competent. It is necessary to separate CCP functions from government administration and to combat bureaucracy, streamline administration, and delegate power to lower levels. These are necessary parts of political structural reform. A blueprint for political reform will be presented at the CCP's 13th National Party Congress in the fall of 1987.

Sources An Zhiguo "Reform Deepens in 1987," Beijing Review 18 May 1987, pp.4-5

Item Date 87/05/18

RECORD: 441

Objectives GOVERNMENT  
Subobjectives Ideology  
Indicators An editorial in the overseas edition of Renmin Ribao quotes Deng Xiaoping as saying recently that the disturbances which occurred last year should not affect reform and that "we should not only persevere in reforms and opening up but also speed them up." The line since the 1978 3d Plenary Session of the CCP has contained two basic points - - adhering to the four cardinal principles and persevering

POLITICAL REFORM

Continued

in reform, and opening up, and invigoration. The two basic points are linked and inseparable. The two points represent the complete content of the line since the 3d Plenum and mean socialism with Chinese characteristics.

Sources

"We Must Not Only Persevere in Reforms and Opening Up But Also Speed Them Up," Renmin Ribao Overseas Edition (Beijing), 22 May 1987, in FBIS/China, 22 May 1987, pp.K1-2

Item Date

87/05/22

RECORD: 442

Objectives  
Subobjectives  
Indicators

GOVERNMENT

Ideology

Addressing a national conference on party rectification, CCP acting General Secretary Zhao Ziyang defines the basic party line. The primary task of CCP members is to implement the line laid down since the 3d Plenary Session of the 11th Central Committee (in 1978). The line of building socialism with Chinese characteristics and achieving the socialist modernization of the country has two basic interdependent points: upholding the four cardinal principles and adhering to the policy of reform, and opening to the outside world, and invigorating the economy. Ceaseless efforts must be made to overcome the influence of bourgeois liberalization and of ossification (of thought).

Sources

Xinhua (Beijing), 27 May 1987, in FBIS/China, 28 May 1987, pp.K1-2

Item Date

87/05/28

RECORD: 443

Objectives  
Subobjectives  
Indicators

GOVERNMENT

Ideology

An article in the CCP theoretical journal Hongqi urges all party members to study Deng Xiaoping's thoughts on reform. Practice has proved that the erroneous views of doubting and taking a reserved attitude toward reform and opening up are untenable. "Comrade Deng Xiaoping's thoughts on reform and opening up and adherence to the four cardinal principles ... constitute an integral whole based on reality." To set reform and the four basic principles against each other does not accord with Comrade Deng Xiaoping's thoughts on reform and with the line since the 1978 3d



# POLITICAL REFORM

## Continued

Sources Plenary Session of the 11th CCP Central Committee.  
 "Study Deng Xiaoping's Thoughts on Reform"  
 Hongqi (Beijing), 1 June 1987, in FBIS/China,  
 12 June 1987, pp.K5-6  
 Item Date 87/06/01

RECORD: 444

Objectives GOVERNMENT  
 Subobjectives Policy  
 Indicators On 6 May 1987, CCP acting General Secretary Zhao Ziyang delivered what many commentators in Hong Kong call the most important speech of his political career. Addressing senior figures in propaganda, journalism, and theoretical work, as well as members of the CCP Politburo and Secretariat, Zhao stressed the necessity of continuing with economic reform and dismissed the many articles attacking bourgeois liberalization as resembling Cultural Revolution diatribes and failing to convince readers. He described their lack of effect by quoting a Cantonese proverb about water pouring off the back of a duck. Parts of the speech were "leaked" to the Hong Kong newspaper Wen Wei Po, and the complete text is said to be circulating among senior cadres as CCP Central Directive No. 16 of 1987. During May portions of the speech were repeated in the commentaries of a number of newspapers. Zhao is reported by Hong Kong observers to have the strong support of Deng Xiaoping and to be aided by the failure of the leftists to offer a viable alternative to the reform program.  
 Sources "Zhao Turns Up the Heat," Asiaweek (Hong Kong), 7 June 1987, pp.25-34  
 Item Date 87/06/07

RECORD: 445

Objectives GOVERNMENT  
 Subobjectives Ideology  
 Indicators A Jingji Ribao commentary argues that while bourgeois liberalization cannot be treated lightly, obstruction to building socialism with Chinese characteristics comes mainly from the left and from ossified ideas. Old systems formed in the past several decades, hackneyed ideas, force of habit, and various ideological inhibitions are deeply rooted and very difficult to change. It is exactly such

POLITICAL REFORM

Continued

leftist things that have constantly interfered with reform.

Sources Zhongguo Xinwen She (Hong Kong), 8 June 1987, in FBIS/China, 9 June 1987, p.K4  
Item Date 87/06/08

RECORD: 446

Objectives GOVERNMENT  
Subobjectives Ideology  
Indicators

In China slogans remain a fundamental medium of political argument and struggle, and the way they are ranked and balanced is important. The reforms are often denoted by "socialism with Chinese characteristics." The ambiguity of socialism has been vital to the political defense of the reforms. Perhaps the most opaque of contemporary Chinese slogans is "the party's line since the 3d Plenum." It simultaneously celebrates an epochal event in post-Mao China (the landmark 3d plenary session of the CCP in 1978 which marked the rise of Deng Xiaoping and his reformist allies to power) and compels obedience from members of a Leninist party. The slogan has been subject to redefinition. As recently used it seems to refer to the combination of the reforms proposed since 1978 with the four cardinal principles. The four cardinal principals were first enunciated by Deng Xiaoping in 1979 during a crackdown on intellectuals and pro-democracy activists who were using big-character posters to criticize the party and the government.

Sources Robert Delfs, "Liberals To the Fore," Far Eastern Economic Review (Hong Kong), 11 June 1987, pp.34-35  
Item Date 87/06/11

RECORD: 447

Objectives GOVERNMENT  
Subobjectives Policy  
Indicators

Deng Xiaoping tells visiting Yugoslavian leader Stefan Korosec that China's reform and open policies will not change or slow down. Political reform is now the order of the day, and will be one of the major topics for discussion at the CCP's 13th Party Congress in October.

Sources Xinhua (Beijing), 12 June 1987, in FBIS/China, 16 June 1987, pp.I4-5  
Item Date 87/06/12

# POLITICAL REFORM

RECORD: 449

Objectives	GOVERNMENT
Subobjectives	Policy
Indicators	Hong Kong sources report that before departing on a trip to Eastern Europe in early June, Zhao Ziyang issued an anti-leftist "top-level circular," a party document of more restricted circulation than the regular Central Directives. It says that economic construction and reform are the major tasks. The main threat to reform comes from leftist influence. The reformers are expected to call for further economic reform at the 13th Party Congress in October 1987. Political reform will be instituted to ensure that bureaucrats or leftists will not be able to sabotage economic reforms. Political reform will focus on personnel policies, stressing meritocratic grounds for cadre appointment and retention in office. This would repudiate attempts by party elders to make seniority and "redness" criteria for advancement.
Sources	"A Reformist Tide," <u>Asiaweek</u> (Hong Kong), 21 June 1987, pp.14-17
Item Date	87/06/21

RECORD: 448

Objectives	GOVERNMENT
Subobjectives	Policy
Indicators	Deng Xiaoping tells visiting Yugoslavian leader Stefan Korosec "The reform is total, including the economic and political fields and also others." The goal of political reform is to invigorate the party and government at all levels, get rid of bureaucracy and bring into play the initiative of the people. The political reform will solve the problem of ageing within the party and government. Deng said: "I'm for reform. We have no other way to go. The old policies and methods ... turned out to be unsuccessful. The party's history was mainly leftist-dominated from 1957 to 1976, and during that period China stagnated. Deciding to implement reforms since 1978 has been the correct decision, and what is needed now is to speed up the implementation of reforms."
Sources	"Deng: Giving Priority to Reform," <u>Beijing Review</u> , 22 June 1987, p.5
Item Date	87/06/22

## POLITICAL REFORM

RECORD: 450

Objectives	GOVERNMENT
Subobjectives	Policy
Indicators	The CCP Central Committee has decided to republish Deng Xiaoping's speech "On The Reform of the System of Party and State Leadership." The republication is of great significance since the speech, originally made in August 1980, charts the orientation of the upcoming reform of China's political structure. Deng identifies the major problems as aging and ill-trained leaders, confusion between the roles of party and state, and the influence of "feudalism and bourgeois thinking." The solution lies in promoting younger, better-educated cadres, and in countering bureaucracy and arrogant attitudes by office-holders through widespread democracy.
Sources	Xinhua (Beijing), 30 June 1987, in FBIS/China, 30 June 1987, pp.K1-2
Item Date	87/06/30

## ECONOMIC REFORM

RECORD: 324

Objectives	ECONOMIC
Subobjectives	Markets
Indicators	According to regulations adopted by the State Planning Commission and the Ministry of Urban and Rural Construction and Environmental Protection, the construction and sale of private homes will be allowed for the first time. Local housing development companies will be established to build and sell houses and office buildings. The companies will be responsible for their own profits and losses.
Sources	<u>China Daily</u> (Beijing), 14 January 1987, p.3
Item Date	87/01/14

RECORD: 323

Objectives	ECONOMIC
Subobjectives	Price Reform
Indicators	The State Council orders tightened control to keep prices stable in 1987. The government will not increase the number of goods whose prices are determined by market forces, nor will it increase the number of those whose prices are allowed to fluctuate within limits. Authorities in major grain producing areas may set ceilings on the prices paid for grain they purchase from farmers, and authorities in major cities may impose price ceilings on important non-staple foods such as meat and eggs.
Sources	Xinhua (Beijing), 15 January 1987, in FBIS/China, 15 January 1987, p.K21.
Item Date	87/01/15

RECORD: 325

Objectives	ECONOMIC
Subobjectives	Management
Indicators	State Councillor Zhang Jingfu hails the newly established Chongqing Chinese Traditional Medicine Company as an exemplar of new ways to reform ownership of state enterprises. The new company incorporates 14 state-owned Chinese medicine producing enterprises in the Chongqing area, and is an independent enterprise owned and managed by its shareholders. At its inception the shares are divided among the State, the enterprises themselves, and the individual employees at a ratio of 67:28:5. Although the state, as the largest shareholder, appoints the managing director, it will permit the enterprise to operate independently without ministerial

## ECONOMIC REFORM

### Continued

administration. The enterprise will be responsible for its own profits and losses.  
Sources China Daily (Beijing), 16 January 1987, p.3.  
Item Date 87/01/16

RECORD: 326

Objectives ECONOMIC  
Subobjectives Policy  
Indicators An article in Guangming Ribao argues that conditions in China are not ripe to institute the shareholding system for state enterprises, and that attempts to do so will cause problems. Individuals do not have the funds necessary to buy controlling shares of stock, so the government would still be the majority shareholder and nothing fundamental would be changed. It would be difficult to put a price on the assets of enterprises. Profits going to pay interest to shareholders would reduce government revenues.  
Sources Guangming Ribao (Beijing), 17 January 1987, in FBIS/China, 29 January 1987, pp.K19-20.  
Item Date 87/01/17

RECORD: 327

Objectives ECONOMIC  
Subobjectives Employment  
Indicators Renmin Ribao reports that state enterprises in most parts of China are now hiring workers on contracts rather than as lifetime employees. In the last three months of 1986, 700,000 contract workers were hired, bringing the national total to 4.3 million contract workers. Contract workers earned the same salaries as permanent workers and were generally better disciplined and more responsible.  
Sources China Daily (Beijing), 22 January 1987, p.3.  
Item Date 87/01/22

RECORD: 328

Objectives ECONOMIC  
Subobjectives Policy  
Indicators Lu Dong, Head of the State Economic Commission, says that the main task for urban economic reform in 1987 will be to introduce various forms of responsibility systems to invigorate enterprises. The responsibility system will be tried out in large and medium-sized state enterprises, whose directors will have to meet goals for product

## ECONOMIC REFORM

### Continued

quantity and quality, as well as for profits and technical progress. Small state enterprises operating at a loss will be leased to individuals or collectives.

Sources Xinhua (Beijing), 25 January 1987, in JPRS-CEA-87-013, 25 February 1987, pp.2-3.

Item Date 87/01/25

### RECORD: 329

Objectives ECONOMIC  
Subobjectives Policy  
Indicators Far Eastern Economic Review (Hong Kong), reports that most observers of the Chinese scene agree that economic reforms will not be reversed after the dismissal of CCP General Secretary Hu Yaobang (on 16 January 1987), but that they will be put on hold until the result of the leadership contest becomes clear.

Sources Ellen Salem, "Footdragging on Reforms Can Now Be Expected," Far Eastern Economic Review (Hong Kong), 29 January 1987, pp.14-15.

Item Date 87/01/29

### RECORD: 330

Objectives ECONOMIC  
Subobjectives Policy  
Indicators The government's policy of allowing the individual economy to grow while anticipating eventual cooperation among family businesses has worked well in Wenzhou, Zhejiang. One-third of the small family businesses have already merged into bigger units, and some state-owned enterprises have bought shares in privately-owned and managed factories and provided funds and equipment. The local authorities in Wenzhou are promoting more cooperation between the state sector and the private sector.

Sources "Private Businesses in Wenzhou Join Hands," China Daily (Beijing), 3 February 1987, p.2.

Item Date 87/02/03

### RECORD: 331

Objectives ECONOMIC  
Subobjectives Commerce  
Indicators The State Industrial and Commercial Management Bureau is taking new measures to foster and regulate free markets. The Bureau has provided market information to traders, organized transport and supply for free markets, publicized market regulations, and

## ECONOMIC REFORM

### Continued

strengthened inspections to eliminate unlicensed traders and guarantee the quality of food and drink sold in the markets. Officials of the Bureau say that China's nearly 65,000 free markets have even brighter prospects in 1987.

Sources Guo Zhongshi, "State Seeks to Foster and Police Markets" China Daily (Beijing), 3 February 1987, p.1

Item Date 87/02/03

### RECORD: 333

Objectives ECONOMIC  
Subobjectives Policy  
Indicators China's press publishes a series of articles criticizing growing income gaps, and calling for stronger controls over private businesses. Too many private businesses, it is claimed, use illegal methods to get access to materials, cheat customers, and evade taxes. Some contract workers are paid more than regular state workers which, though legal, is not reasonable, since the contract workers use public materials. Renmin Ribao reports that Guangzhou has begun a "political thought" training program for individual workers.

Sources James R. Schiffman, "Income Disparities Criticized in China," Asian Wall Street Journal (Hong Kong), 5 February 1987, p.3.

Item Date 87/02/05

### RECORD: 334

Objectives ECONOMIC  
Subobjectives Industry  
Indicators The state plans to merge nearly 5000 research institutes with the country's 7000 large and medium-sized industrial enterprises by 1990. In 1987, 10 percent of the research institutes subordinate to the Chinese Academy of Sciences or to ministries, provinces, or cities will be merged with factories. This will improve the technical level and research and development capabilities of factories, while promoting the application of research to problems of production.

Sources Zhao Jiming, "Research Institutes to Merge With Enterprises," China Daily (Beijing), 5 February 1987, p.1

Item Date 87/02/05



## ECONOMIC REFORM

RECORD: 335

Objectives	ECONOMIC
Subobjectives	Markets
Indicators	Guangzhou's Municipal CCP Committee sponsors a program to train private businesspeople in political thought and professional ethics. Called the "Orange Program," from the color of the certificates issued to graduates, the program has been declared a success and will become a regular activity in Guangzhou and its suburbs. Guangzhou's over 90,000 private businesses employ more than 150,000 people and have made major contributions to the city's prosperity. But, they also are known for evading taxes and cheating customers, problems which the education program is expected to remedy.
Sources	"City Teaches Businessmen About Ethics" <u>China Daily</u> (Beijing), 5 February 1987, p.3.
Item Date	87/02/05

RECORD: 336

Objectives	ECONOMIC
Subobjectives	Policy
Indicators	According to the State Commission for Economic Restructuring, a new form of organization - - the industrial partnership concern - - is proving to be the correct form for restructuring the industrial sector. Such concerns are formed around big industrial enterprises, which subcontract production of components to smaller enterprises and cooperate with scientific research institutes and universities. An example is the Number 2 Vehicle Partnership Corporation, centered on the Number 2 Automotive Works in Hubei, producer of the Dongfeng truck. The association embraces 164 enterprises in 24 cities and provinces, which now produce parts and subassemblies in place of their previous low-quality vehicles. The State Council is promoting the growth of such concerns, which break down the barriers separating administrative regions and the state, collective and private sectors of the economy, but is trying to limit the form to manufacturing enterprises producing major products such as trucks or computers.
Sources	Dai Beihua, "Partnership Schemes Point Way for New Growth in Production," <u>China Daily, Business Weekly</u> (Beijing), 11 February 1987, p.1.

# ECONOMIC REFORM

Continued

Item Date

87/02/11

RECORD: 337

Objectives  
Subobjectives  
Indicators

ECONOMIC  
Management  
After a two year trial of the factory director responsibility system, the government has decided to institute the system in all state enterprises, and has issued three sets of new regulations on factory management. The regulations, an important component of urban economic reform, call for a "reasonable division of responsibility" among an enterprise's three power mechanisms - - factory directors, CCP committees, and workers' congresses. Enterprises are to have a management committee which should include the factory director, the chief engineer, the party secretary, the trade union president, the Communist Youth League secretary, and representatives of the workers. The factory director is responsible for meeting production quotas and generating a profit, and can appoint and dismiss subordinate managers, but should heed the opinions of the management committee in all major decisions. According to Yuan Baohua, Vice Minister of the State Economic Commission, the reforms do not abolish the party's leadership; instead, they help improve it.

Sources

"Heavier Responsibility Vested in Factory Heads," Beijing Review, 16 February 1987, pp.5-6.

Item Date

87/02/16

RECORD: 338

Objectives  
Subobjectives  
Indicators

ECONOMIC  
Policy  
State Councillor Gu Mu, visiting the Zhuhai and Shenzhen Special Economic Zones in Guangdong on 5 February says that criticism of bourgeois liberalization and the change in personnel at the top level of the Party will have no effect on China's open door policy and the policy on the Special Economic Zones.

Sources

Beijing Review, 16 February 1987, p.5.

Item Date

87/02/16

RECORD: 339

Objectives  
Subobjectives

ECONOMIC  
Policy

## ECONOMIC REFORM

### Continued

Indicators China is to accelerate banking reforms in 1987. The State Council has designated 14 more cities, including Beijing, Shanghai, Tianjin, Harbin, and Xi'an, as pioneers in banking reform, bringing the total of experimental cities to 26. Branches will be granted the right to handle their credit funds independently, to introduce new business services, to adjust interest rates within certain limits, and to decide employee wages and bonuses. The goal is to turn the banks into enterprises responsible for their own profits and losses.

Sources "Banking Reforms To Accelerate This Year," China Daily, 16 February 1987, p.2

Item Date 87/02/16

RECORD: 340

Objectives ECONOMIC  
Subobjectives Policy  
Indicators China is moving to expand the role of central economic planning this year, reversing the trend toward more market influence in the economy, says Xue Muqiao, a leading economist and a member of the Standing Committee of the NPC. Xue says that former CCP General Secretary Hu Yaobang favored expansionary economic policies, and thought that expanding the money supply and running a large deficit would not cause major problems. His removal will make it easier to implement belt-tightening measures. China will open markets for steel products in 1987, but primarily to clear excessive inventories of steel products. Numerous problems still stand in the way of implementing the bankruptcy law.

Sources James R. Schiffman, "Peking to Curb Market's Role in the Economy," Asian Wall Street Journal (Hong Kong), 16 February 1987, p.1

Item Date 87/02/16

RECORD: 341

Objectives ECONOMIC  
Subobjectives Management  
Indicators The State Economic Commission grants enterprises full decision-making power over workers' wages and bonuses. Under the new system, at least part of workers' basic wages, which had been under unified state control, will float in relation to their fulfillment of work norms. Urban enterprises can set wages by

ECONOMIC REFORM

Continued

contract or on a piece rate basis, but the amount of wages must be kept within the wage fund quota set by the state.

Sources "Enterprises Given Power to Set Workers' Pay," Ta Kung Pao Weekly Supplement (Hong Kong), 19 February 1987, p.1

Item Date 87/02/19

RECORD: 342

Objectives ECONOMIC  
Subobjectives Policy  
Indicators Premier and acting CCP General Secretary Zhao Ziyang says that China's policy of carrying out reforms, opening to the outside world, and invigorating the domestic economy is irreversible. The fight against bourgeois liberalization will not affect the reforms.

Sources Xinhua (Beijing), 24 February 1987, in FBIS/China, 25 February 1987, pp.K1-2.

Item Date 87/02/24

RECORD: 343

Objectives ECONOMIC  
Subobjectives Marketing  
Indicators The Beijing Economic Reform Commission reports that leasing Beijing's service trades has been a great success, improving the economic results of the leased enterprises and alleviating long-standing problems of residents. After leasing, the monthly sales of the affected units increased by 35 percent and workers' incomes went up by 36 percent.

Sources "Leasing Helps Improve Service Trades," China Daily (Beijing), 4 March 1987, p.1.

Item Date 87/03/04

RECORD: 344

Objectives ECONOMIC  
Subobjectives Policy  
Indicators The municipal government of Shenyang warns four collectively-owned enterprises that they will be declared bankrupt if they do not improve within two years. The city will soon issue a warning to several state-owned enterprises that are operating in the red.

Sources "Four Bankruptcy Warnings Given," China Daily (Beijing), 7 March 1987, p.3.

Item Date 87/03/07

# ECONOMIC REFORM

RECORD: 352

Objectives	ECONOMIC
Subobjectives	Problems
Indicators	The State Council sets up an office to crack down on extortion practiced on enterprises. All localities and departments are urged to implement the previously issued State Council document "Situation and Proposals for Halting Extortion of Enterprises." The problem of extortion from enterprises (by local authorities, public utilities, and almost any organization with the power to impede the business of an enterprise) remains very serious and the number of cases is increasing. The departments concerned, including the State Economic Commission, the Ministry of Finance, and the Auditing Administration, are making efforts to draw up an "Enterprise Protection Law." Judicial organs at all levels should hear extortion cases.
Sources	"State Council Sets Up Office to Halt Extortion of Enterprises," <u>Jingji Ribao</u> (Beijing), 7 March 1987, in FBIS/China, 19 March 1987, pp.K19-20.
Item Date	87/03/07

RECORD: 346

Objectives	ECONOMIC
Subobjectives	Policy
Indicators	A foodmarket in Nanchang, capital of Jiangxi Province, is declared bankrupt. The local Intermediate People's Court made the judgment. The market's license was revoked by the Nanchang Municipal Administration for Industry and Commerce, and its employees began receiving unemployment pay while looking for other jobs. The market will be leased.
Sources	Xinhua (Nanchang), 8 March 1987, in FBIS/China, 10 March 1987, p.02.
Item Date	87/03/08

RECORD: 347

Objectives	ECONOMIC
Subobjectives	Management
Indicators	Plans to implement the director responsibility system in China's factories will not be affected by the struggle against bourgeois liberalization, says Gu Ming, Head of the State Council's Economic Laws and Regulations Center. So far, about 28,000 of the 54,000 state-run, large and medium-sized enterprises have instituted the new system.

ECONOMIC REFORM

Continued

Sources The NPC is discussing and drawing up a law for state-run enterprises.  
Deng Lisheng, "Responsibility System Upheld," China Daily (Beijing), 10 March 1987, p.1.

Item Date 87/03/10

RECORD: 348

Objectives ECONOMIC  
Subobjectives Policy  
Indicators More state-owned enterprises will be leased in 1987. A spokesman for the Ministry of Commerce says that 60 percent of the small, state-owned commercial businesses will undergo a change of management this year. Some will be leased to collectives or individuals, and the managers of others will be given broader powers. Leasing has had better results than other kinds of reforms, and its scope is to be increased.

Sources Wen Jia and Yu Ming, "More State-owned Shops Will Be Leased Out," China Daily (Beijing), 11 March 1987, p.3.

Item Date 87/03/11

RECORD: 345

Objectives ECONOMIC  
Subobjectives Prices  
Indicators Dong Fureng, Director of the Economics Institute of the Chinese Academy of Social Sciences, says that the government has indefinitely postponed further price reforms because previous efforts have failed to work as intended. Many factories are so inefficient and badly managed that they have failed to respond to previous price decontrols. Dong says that the CCP leaders have decided that price reforms can only have the desired effect after improving the management of enterprises and increasing the decision-making power of enterprise directors.

Sources Daniel Southerland, "China To Delay Price Reform, Economist Says," Washington Post, 12 March 1987, p.A34.

Item Date 87/03/12

RECORD: 349

Objectives ECONOMIC  
Subobjectives Policy  
Indicators Asiaweek (Hong Kong) claims that the poor performance of China's economy is

## ECONOMIC REFORM

### Continued

strengthening conservative efforts to reimpose strict central controls and to further postpone economic reforms. According to unnamed sources in China, the state is running a large budget deficit and most factories are operating well below capacity, because of a shortage of energy and of foreign exchange to purchase needed spare parts and components. Conservative economists wish to devote the bulk of the nation's resources to the state and the collective sector, and to levy higher taxes on the growing private sector. Concern about the grain supply may lead to efforts to limit farmers' freedom to select their own crops and to engage in commerce or light industry.

Sources

Asiaweek (Hong Kong), 15 March 1987, pp.28-29.

Item Date

87/03/15

RECORD: 350

Objectives

Subobjectives

Indicators

ECONOMIC

Policy

According to China's reform-minded officials and economists, the primary cause of the record state budget deficit in 1986 was poor performance by state-owned enterprises, and the solution to this problem lies in further economic reforms. Some 17 percent of state enterprises run at a loss, largely because they produce goods that cannot be sold. The problem of excessive inventories reflects the state enterprises' insulation from market forces (which would indicate what goods were in demand) and weak capacity for research and development. All the economic statistics for 1986 demonstrate the poor performance of the state sector and the superior performance of the collective and private sectors. Until the long-awaited bankruptcy and enterprise laws are implemented, state enterprises remain in a jurisdictional and administrative limbo, where all managerial arrangements are provisional. Reforming and revitalizing the state sector is an urgent, high priority task for the government, and one that cannot be postponed until issues of leadership composition are finally settled.

Sources

Ellen Salem, "State Sector: Reforms Urgently Needed To Avert Decline," Far Eastern Economic Review (Hong Kong), 19 March 1987, pp.76-77.

## ECONOMIC REFORM

### Continued

Item Date 87/03/19

RECORD: 351

Objectives ECONOMIC  
Subobjectives Policy  
Indicators Debate on the course and pace of economic reforms has intensified in recent months. According to the currently predominant, cautious school of thought, economic reforms have led to inflation, corruption, and loss of central control, problems which must be addressed before further steps can be taken. The outcome of the economic debate depends largely on who wins the political struggle that has been going on since the dismissal of CCP General Secretary Hu Yaobang in January.

Sources James R. Schiffman, "Chinese Debate Next Stage of Reforms," Asian Wall Street Journal (Hong Kong), 19 March 1987, p.1.

Item Date 87/03/19

RECORD: 353

Objectives ECONOMIC  
Subobjectives Policy  
Indicators The Standing Committee of the NPC decides not to submit the draft law on state enterprises to the upcoming session of the NPC. Chen Pixian, Vice Chairman of the NPC Standing Committee explains that "since various opinions on a number of important issues need to be aired," the Standing Committee Executive Council decided not to submit the draft to the full NPC.

Sources "Law on Industry Not Ripe for NPC," China Daily (Beijing), 20 March 1987, p.1.

Item Date 87/03/20

RECORD: 354

Objectives ECONOMIC  
Subobjectives Policy  
Indicators In his report to the NPC, Premier Zhao Ziyang calls for intensifying the reform of enterprise management. Injecting greater vitality into enterprises is the "central link" of economic reform. He says that price reform in 1987 will be confined to readjusting prices of a small number of items, and that the rise in prices will be controlled, and will be less than in 1986 when retail prices rose by 6 percent.



## ECONOMIC REFORM

### Continued

Sources Xinhua (Beijing), 25 March 1987, in  
FBIS/China, 25 March 1987, pp.K11,12,16.  
Item Date 87/03/25

RECORD: 355

Objectives ECONOMIC  
Subobjectives Policy  
Indicators Addressing the National People's Congress,  
Premier Zhao Ziyang acknowledges serious  
economic problems, including low productivity,  
budget deficits, and runaway local spending on  
construction. All government spending will be  
cut back by 10 percent from 1986 levels. Zhao  
calls for efforts to curb consumer spending  
and to increase grain production. But, he says  
that economic reforms will continue, and puts  
special emphasis on the need to grant full  
managerial authority to directors of state  
enterprises.

Sources Edward A. Gargan, "Chinese Premier, in Major  
Speech, Adopts Hard Line," New York Times, 26  
March 1987, p.A3.  
Item Date 87/03/26

RECORD: 356

Objectives ECONOMIC  
Subobjectives Policy  
Indicators Liaoning Province will undertake several  
economic reforms in 1987. Enterprises will be  
given greater autonomy and efforts will be  
made to separate routine management from  
ownership. The provincial government also will  
reform the wage and pension systems, linking  
wages more closely to position title and to  
performance. In Shenyang, the municipal  
government will pool pension funds from state  
and collectively-owned enterprises, and remove  
sole responsibility for pensions from  
enterprises, thus freeing older enterprises  
with a large number of retirees from their  
unequal pension burden. The central government  
has approved the province's plan to operate  
banks as businesses responsible for their own  
profits and losses. On 10 March 1987, the  
Shenyang Iron and Steel Market was opened.

Sources Dong Lisheng, "Wide Range of Economic  
Reforms Set for Liaoning," China Daily  
(Beijing), 28 March 1987, p.1.  
Item Date 87/03/28

# ECONOMIC REFORM

RECORD: 357

Objectives	ECONOMIC
Subobjectives	Markets
Indicators	The success of the steel markets opened at the end of 1986 in such cities as Shanghai, Wuhan, Shenyang, and Chongqing has led to the establishment of a new steel market in Jinan, Shandong. China will not lift price controls on steel this year, but will further limit the percentage of steel allocated under the state plan and encourage the redistribution of steel from enterprises with surpluses to those with shortages. In 1987 only 41 percent of Shanghai's steel supplies will be allocated under the government's central plan. The rest will be supplied by the market, where prices will fluctuate under supply and demand and the supervision of the government's price control departments.
Sources	"Markets To Spur Steel Sales," <u>China Daily</u> (Beijing), 31 March 1987, p.2.
Item Date	87/03/31

RECORD: 358

Objectives	ECONOMIC
Subobjectives	Markets
Indicators	Tianjin opens a securities market, offering bonds issued by four state-owned enterprises. On the first day buyers outnumber sellers by a large margin. Gao Zhiling, Chief of the Financial Administration Department of the Tianjin office of the Bank of China says the allegation that China will develop a stock exchange system similar to those in Western countries is groundless as long as China sticks to the socialist economic system and does not permit individual brokers or speculators. All sales are made through the Tianjin Trust and Investment Corporation, which charges a 1 percent commission.
Sources	Wu Zhijian. "Few Sellers in City's New Shares Mart," <u>China Daily</u> (Beijing), 2 April 1987, p.2.
Item Date	87/04/02

RECORD: 359

Objectives	ECONOMIC
Subobjectives	Policy
Indicators	At a press conference during the annual NPC session, Vice Premier Tian Jiyun answers questions on economic policy. He asserts that reform means improving and developing the

## ECONOMIC REFORM

### Continued

socialist system, not rejecting or abolishing it. The principle of public ownership of the means of production must be adhered to, but individual and foreign-funded enterprises pose no threat to public ownership. No contradictions exist between developing the commodity economy and the socialist planned economy. The fundamental goal of the reform is to improve production.

Sources "Three Vice-Premiers Hold Press Conference,"  
Beijing Review, 6 April 1987, pp.15-16.

Item Date 87/04/06

RECORD: 360

Objectives  
Subobjectives  
Indicators

ECONOMIC

Markets

The Director of the State Administration for Industry and Commerce asserts that individual economic activity has become an indispensable part of China's socialist economy. By the end of 1986, 18.46 million people were engaged in individual businesses. In 1987 China will continue its support of individual enterprises, regarding such support as "a long term and consistent policy." The State will strengthen supervision of individual businesses to stamp out tax evasion and deceptive practices.

Sources "China's Private Business Becomes  
Indispensable," China Daily (Beijing), 11  
April 1987, p.1

Item Date 87/04/11

RECORD: 361

Objectives  
Subobjectives  
Indicators

ECONOMIC

Industry

Government encouragement for the formation of three large automobile producing groups is described as an important part of the economic reforms for 1987. The automotive groups are successful examples of "horizontal associations." They unite factories in different provinces and cities, and use subcontracting and coordinated production of components to produce higher quality trucks at lower costs than was possible with the previous system under which each province had its own automotive industry. The emergence of such associations, which break the administrative boundaries between regions and

## ECONOMIC REFORM

### Continued

ministries, is described as an inevitable trend.

#### Sources

Li Yongzeng, "Rise of Horizontal Business Associations," Beijing Review, 13 April 1987, pp.23-25.

#### Item Date

87/04/13

RECORD: 362

#### Objectives

ECONOMIC

#### Subobjectives

Markets

#### Indicators

One major financial reform, the experiment in share trading, is now in abeyance. This is possibly the result of disagreements over the nature of ownership in a socialist economy, though Shanghai sources claim that the Bank of China has opposed further issue of shares because it fears that interest bearing shares would threaten its low-interest deposit base. Three tasks for financial reform are still on the agenda for 1987: the development of a short-term capital market; the liberalization of interest rates; and the diversification of financial institutions. The implementation of such reforms even in an atmosphere of political uncertainty represents recognition of the need to remedy immediate financial problems such as the shortage of savings and the ineffective channeling of money to the most productive segments of the economy.

#### Sources

"Chinese Reforms: A Yuan for Change," The Economist (London), 18 April 1987, pp.77-78.

#### Item Date

87/04/18

RECORD: 363

#### Objectives

ECONOMIC

#### Subobjectives

Policy

#### Indicators

By the end of 1987 a new pension system will be put in place in most Chinese cities and counties. Formerly, each enterprise was solely responsible for paying pensions to its retired employees. Under the new system, each enterprise will pay a percentage of its employees' wages to a local labor insurance department, which will pay pensions to all retirees from local enterprises. There are already some enterprises whose retirees outnumber their workers, making it difficult for them to pay pensions in full and on time.

#### Sources

Chen Guanfeng, "New Pension Plan Will Cover Most of Country by '88," China Daily (Beijing), 20 April 1987, p.1

ECONOMIC REFORM

Continued

Item Date 87/04/20

RECORD: 364

Objectives ECONOMIC  
Subobjectives Policy  
Indicators A pilot scheme to establish a social security system in the countryside is launched. The plan was approved by the State Council as a first step toward a national social security system. Rural residents will pay about 10 yuan per person each year and will receive assistance if homes or crops are damaged by natural disasters. Major disasters still will require State relief.

Sources "Experiment in Social Security," China Daily (Beijing), 21 April 1987, p.1.

Item Date 87/04/21

RECORD: 365

Objectives ECONOMIC  
Subobjectives Markets  
Indicators Guangdong's Jiangmen City opens businesses which deal in commercial bills, discount promissary notes, issue shares and bonds, and make loans. Jiangmen City is an experimental unit in Guangdong's financial structural reform. The financial market is credited with improving circulation of funds and with stimulating the development of light industry and trade in real estate.

Sources Zhongguo Xinwen She (Hong Kong), 16 April 1987, in FBIS/China, 21 April 1987, p.Pl.

Item Date 87/04/21

RECORD: 366

Objectives ECONOMIC  
Subobjectives Markets  
Indicators The State Council issues interim regulations to control the issue of bonds by enterprises. The regulations were drafted in response to the rapid development of such financial instruments as bonds, shares, and notes, and are intended to standardize issuance of shares and bonds and to guide investment. Funds raised by issuing bonds or shares must be spent on projects that are in line with the national economic plan. The regulations, though strict, are meant to promote rather than to limit the use of such financial instruments.

ECONOMIC REFORM

Continued

Sources Sun Yougeng, "State Council Issues Regulations to Improve Control of Bond Sales," China Daily, Business Weekly (Beijing), 22 April 1987, p.1.  
Item Date 87/04/22

RECORD: 367

Objectives ECONOMIC  
Subobjectives Employment  
Indicators The Beijing Service Center for Talent Exchange, a part of the city's Personnel Administration Bureau, holds a successful job fair, attended by 14,000 individuals. Han Guangyao, the Center's Director, points out that job fairs benefit both individuals and units that badly need specialists, and observes that the problem of "ownership of talent by departments and units," has not been solved. Han notes that "some people" believe talent exchanges to be a practice unique to capitalist countries, and says: "They should rethink this."  
Sources "Swapping Jobs at Talent Center," Beijing Review, 27 April 1987, pp.8-9.  
Item Date 87/04/27

RECORD: 368

Objectives ECONOMIC  
Subobjectives Markets  
Indicators A debate at the highest levels of the CCP continues over the suitability of trading bonds and shares in a socialist economy. Since the campaign against bourgeois liberalization began in January, no one has talked publically about turning state enterprises into concerns owned by their shareholders. Some stock issues appear to have been postponed because of the debate. According to official estimates, more than 6,000 companies throughout China have issued shares worth \$1.6 billion. This still is only 1 percent of the loans outstanding in the banking system.  
Sources Nicolas D. Kristof, "A Debate in China Over Stock Trading: Beijing Sends Mixed Signals," New York Times, 27 April 1987, p.D10.  
Item Date 87/04/27

RECORD: 369

Objectives ECONOMIC  
Subobjectives Policy

## ECONOMIC REFORM

### Continued

Indicators Premier Zhao Ziyang's report to the NPC in March offers no clue as to how China's economic reforms are to proceed. The report seems to represent the consensus of the central leadership rather than the position of Zhao or of the State Council. The report reiterated reform measures already in operation. The overriding priority put on stable economic development implies that stability will take precedence over reforms.

Sources Thomas Chan, "The Reforms Conundrum," China Trade Report (Hong Kong), May 1987, p.1.

Item Date 87/05/01

RECORD: 370

Objectives ECONOMIC  
Subobjectives Problems  
Indicators Although the experiment of leasing factories in Shenyang to individual managers has proved an overall success, some managers have had to resign before the end of their leased term. Some managers failed to understand their markets and other managers could not get along with workers and cadres. "Most managers who have terminated their contracts regret their negligence in handling relations with Party committees and trade unions." Shenyang Ribao, which reported the failures, suggests that examinations be used to test the qualifications of those who want to lease factories.

Sources "Draw Lesson From Failure of Managers," China Daily (Beijing), 14 May 1987, p.4.

Item Date 87/05/14

RECORD: 371

Objectives ECONOMIC  
Subobjectives Prices  
Indicators The State Council issues regulations to tighten control over prices of means of production and prohibit unauthorized price increases or collection of fees. All products produced or allocated under the state economic plan must be handled at prices set by the state, and no localities or departments are permitted to raise revenue by increasing prices.

Sources Xinhua (Beijing), 16 May 1987, in FBIS/China, 19 May 1987, pp.K15-17.

Item Date 87/05/16

# ECONOMIC REFORM

RECORD: 372

Objectives	ECONOMIC
Subobjectives	Problems
Indicators	A resurgence of conservative economic policy is dampening the commercial spirit of China's private sector. In Jiangsu, provincial authorities are limiting investment and banks have curtailed loans to private entrepreneurs. Administrative departments are taking back powers supposedly granted to enterprise managers, such as those over hiring and setting wages and bonuses. Profits of many enterprises have fallen because costs of materials have gone up but prices of finished products cannot be raised.
Sources	"Turning Back the Clock," <u>Asiaweek</u> (Hong Kong), 17 May 1987, p.53.
Item Date	87/05/17

RECORD: 373

Objectives	ECONOMIC
Subobjectives	Policy
Indicators	Economic problems, including overinvestment by local authorities and mounting central government budget deficits, have led to pressure for greater centralization and reversals of reform efforts to grant greater autonomy to enterprises. Signs of recollectivization of agriculture have appeared in many areas. Gu Xiulan, Governor of Jiangsu, tells an interviewer that: "It seems we may have to return to the collective road. There's nothing wrong with the collectivism first advocated by Chairman Mao." Some publicity is being given to Huaxi, a village in southern Jiangsu which combines a collective, work point system of remuneration with a high per capita income, and in which a single village committee oversees all productive activities.
Sources	"China's Swinging Door," <u>Asiaweek</u> (Hong Kong), 17 May 1987, pp.52-59.
Item Date	87/05/17

RECORD: 374

Objectives	ECONOMIC
Subobjectives	Policy
Indicators	<u>Jingji Ribao</u> (Beijing) commentary, "The Only Way to Invigorate China's Economy is Reform," argues that China is still in the initial stage of socialism and that to develop the economy it is necessary to develop production



## ECONOMIC REFORM

### Continued

and to eradicate poverty. The policies followed from 1949 to 1979 developed the economy to some extent but basically failed to end poverty. Practice since the CCP Third Plenum in 1978 has proved that reforms benefit the whole country and give vigor to socialism. The conclusion is that reform is the way to invigorate China's economy and "there is no other way out."

Sources Jingji Ribao (Beijing), 18 May 1987, in  
FBIS/China, 27 May 1987, pp.K10-11.  
Item Date 87/05/18

RECORD: 375

Objectives ECONOMIC  
Subobjectives Policy  
Indicators In a pilot project approved by the State Council, 16 medium-sized cities, including Jiangmen, Weifang, Ma'anshan, and Anyang are designated experimental units for structural reform. Their reforms have concentrated on administrative streamlining and on changing the functions of administrative departments. Enterprises have been given more autonomy and cadres who previously supervised enterprises have been transferred to other departments such as finance, taxation, and auditing.

Sources Renmin Ribao (Beijing), 29 May 1987, in  
FBIS/China, 17 June 1987, pp.L19-20.  
Item Date 87/05/29

RECORD: 376

Objectives ECONOMIC  
Subobjectives Management  
Indicators Shanghai closes all 68 municipal administrative companies to streamline industrial management and let more factories run their own affairs. Premier Zhao Ziyang supports the reform, and proposes that other areas should follow Shanghai's example.

Sources "Shanghai Streamlines Administrative Structure," China Daily (Beijing), 30 May 1987, p.1.  
Item Date 87/05/30

RECORD: 377

Objectives ECONOMIC  
Subobjectives Policy  
Indicators A report by economists at the Chinese Academy of Social Sciences points out that China's economic reforms since 1978 have been

## ECONOMIC REFORM

### Continued

carried out in an unstable economy with an imbalance between total supply and demand. With reform being carried out amid economic instability, all kinds of frictions are generated between the old and new systems, resulting in reform being a long, drawn-out process. Reform needs an "atmosphere of spaciousness and relaxation," but such an environment can only be the result of reform. Great skill is needed to handle this contradiction.

Sources Ming Bao (Hong Kong), 1 June 1987, in  
FBIS/China, 2 June 1987, pp.K2-3.  
Item Date 87/06/01

RECORD: 378

Objectives  
Subobjectives  
Indicators

ECONOMIC  
Employment  
Enterprises in several cities have adopted a new wage and bonus system, in which wages and bonuses depend on the performance of the enterprise. Beijing was the first city to try the new system, which is now being used in Shanghai, Harbin and several other cities. Experiments have been generally successful, and the enterprises involved have increased their efficiency and returned more profits and taxes to the state.

Sources "New Pay Scheme Makes Businesses More Efficient," China Daily (Beijing), 2 June 1987, p.1.  
Item Date 87/06/02

RECORD: 379

Objectives  
Subobjectives  
Indicators

ECONOMIC  
Policy  
Gao Shangquan, Deputy Director of the State Economic Commission, gives economic reforms credit for the average 10.1 percent average annual growth in gross domestic product (GDP) since 1979. He points out that during the 25 years before 1979 economic growth rates averaged 7.9 percent, fluctuating from 32.7 percent in one year to minus 33.5 percent in another year.

Sources "Economic Reform Credited With Steady Growth," China Daily (Beijing), 4 June 1987, p.1.  
Item Date 87/06/04

# ECONOMIC REFORM

RECORD: 380

Objectives	ECONOMIC
Subobjectives	Markets
Indicators	The Shanghai Money Market opens on 5 June 1987. It will handle interbank loans, exchanges of stocks, and foreign exchange adjustments for enterprises with foreign investment.
Sources	Zhen Fan, "Shanghai Money Market Starts," <u>China Daily</u> (Beijing), 5 June 1987, p.2.
Item Date	87/06/05

RECORD: 381

Objectives	ECONOMIC
Subobjectives	Management
Indicators	The factory director responsibility system will be introduced in all large and medium-sized industrial enterprises in Beijing and Shanghai municipalities, Shaanxi, Hebei, Hubei, Yunnan, Liaoning, Jilin, and Heilongjiang provinces, and the Ningxia Hui and Guangxi Zhuang autonomous regions by the end of 1987. Leading departments at all levels will appoint "competent" factory directors.
Sources	"Factory Plan To Be Applied in 11 Areas," <u>China Daily</u> (Beijing), 8 June 1987, p.2.
Item Date	87/06/08

RECORD: 382

Objectives	ECONOMIC
Subobjectives	Prices
Indicators	Price reform is an issue of great controversy, and reform leaders lack the power to push ahead with this most difficult and contentious aspect of the reform program. Critics of price reform say that it has brought inflation and discontent and forced the government to expend vast sums on subsidies but has not increased productivity. Proponents argue that price reform has been generally successful because current prices, although still not perfect signals to producers, are now closer to the real cost of products. People who complain of the high prices of fish and television sets forget that ten years ago neither was commonly available. The issue will not be resolved until after the CCP Party Congress scheduled for October 1987.
Sources	Louise de Rosario, "The Power of the Purse: A Political Sea Change Puts Pressure on

ECONOMIC REFORM

Continued

China's Price Reforms," Far Eastern Economic Review (Hong Kong), 18 June 1987, pp.75-77.  
87/06/18

Item Date

RECORD: 383

Objectives  
Subobjectives  
Indicators

ECONOMIC  
Policy

A massive research program headed by Dong Furen, Director of the Chinese Academy of Social Science's Institute of Economics, is evaluating the experiments in management reform. While none of the new management forms has proved perfect or suitable for all enterprises, they have produced encouraging results. The Institute's research program is included in the 7th Five Year Plan, and has summed up the advantages and disadvantages of the four main types of experiments: leasing; contracts; the share capital system; and management responsibility systems. Researchers at the Institute are trying to draft even better methods, and are currently paying attention to asset management responsibility systems, under which a manager's first responsibility is to increase the enterprise's assets (rather than to make a short-term profit, which may come at the expense of long-term growth).

Sources

Zhang Xiaogang, "Factory Reforms Produce Results," China Daily (Beijing), 27 June 1987, p.4.

Item Date

87/06/27

RECORD: 384

Objectives  
Subobjectives  
Indicators

ECONOMIC  
Management

The managerial responsibility system will be implemented in all state commercial enterprises. Small shops will be leased and managers of large and medium-sized enterprises will be responsible for personnel, funds, production, supply, and marketing. The goal is to make shops independent economic entities. Enterprises which have been experimenting with issuing bonds may continue, but no more shops will begin such experiments in 1987.

Sources

"Reforms To Include State Stores," China Daily (Beijing), 27 June 1987, p.1.

Item Date

87/06/27

ECONOMIC REFORM

RECORD: 416

Objectives	ECONOMIC
Subobjectives	Prices
Indicators	China plans to do away with some of the country's tight price controls to accelerate development of the commodity economy. An article in <u>Renmin Ribao</u> quotes Tian Yuan, a price expert, as saying that people have to get used to price fluctuations, and that tax and budgetary reforms must be carried out at the same time as price reforms.
Sources	Xinhua, (Beijing) 27 June 1987, in JPRS-CAR-87-022, 21 July 1987, p.30
Item Date	87/06/27

# MILITARY REFORM

RECORD: 386

Objectives	MILITARY
Subobjectives	Demobilization
Indicators	The Ministry of Civil Affairs announces that China has trained and provided jobs for more than 1.2 million demobilized soldiers since January 1986. Some 250,000 demobilized soldiers have taken leading posts in rural grass-roots units, about 260,000 have been employed in rural factories, and nearly 110,000 are working as individual laborers in farming and other specialized fields. In the same period proper arrangements have been made for 21,000 retired officers. Since the 1986 announcement of the decision to cut troop strength by one million, the number of soldiers has been reduced by 410,000 and 300,000 officers have retired, bringing the total reduction so far to over 700,000.
Sources	Xinhua, (Beijing), 12 January 1987, in FBIS/China, 13 January 1987, p.K18
Item Date	87/01/12

RECORD: 385

Objectives	MILITARY
Subobjectives	Policy
Indicators	Yang Dezhi, PLA Chief of the General Staff, says that during 1987 the PLA will continue to streamline its administrative structure while increasing the militia and reserves. Special attention must be given to training and to standardization of military system, training, and management.
Sources	"Army To Continue Its Reform," <u>China Daily</u> (Beijing), 14 January 1987, p.4
Item Date	87/01/14

RECORD: 387

Objectives	MILITARY
Subobjectives	Industry
Indicators	Most military hospitals are accepting civilian patients, and military doctors treat over 15 million civilians every year. This practice helps military doctors to raise their professional skills in handling difficult cases and helps to expand military hospitals with extra income earned from treating civilians.
Sources	<u>China Daily</u> (Beijing), 16 January 1987, p.3
Item Date	87/01/16

## MILITARY REFORM

RECORD: 388

Objectives	MILITARY
Subobjectives	Personnel
Indicators	Ninety-seven percent of PLA grass-roots cadres now have a secondary school education and one of every six such cadres is a university graduate.
Sources	Zhongguo Xinwen She (Hong Kong), 21 January 1987, in FBIS/China, 29 January 1987, p.K21
Item Date	87/01/21

RECORD: 389

Objectives	MILITARY
Subobjectives	Reorganization
Indicators	According to the Central Military Commission, the PLA has carried out 70 reforms over the past 18 months. Further reforms in 1987 will include improvement of the cadre system, new arms and equipment, and improvements in research, education, and training. The reforms will be carried out in conformity with the four cardinal principles.
Sources	"Modern PLA Steps Into The Future" <u>China Daily</u> (Beijing), 28 January 1987, p.4
Item Date	87/01/28

RECORD: 390

Objectives	MILITARY
Subobjectives	Personnel
Indicators	The Air Force will recruit its flight cadets directly, rather than relying on the People's Armed Forces Departments and local governments to enroll them. Cadets will be recruited primarily from senior middle school graduates and a special aeronautical mental aptitude test will be used. The state will integrate the enrollment of flight cadets into the national unified college enrollment plan. Those who pass the preliminary screening and who qualify on physical and political grounds will then take the national college entrance examination and be selected on merit.
Sources	Xinhua (Beijing), 5 February 1987, in FBIS/China, 12 February 1987, p.K21
Item Date	87/02/05

RECORD: 417

Objectives	MILITARY
Subobjectives	Reserves
Indicators	Three years after its foundation, the Xiangfan Ground Force Reserve Division, with its headquarters in Xiangyang Prefecture,

## MILITARY REFORM

### Continued

Hubei, is an active force. It enrolls over 10,000 troops, drawn from two cities, two counties and more than 80 districts, townships, and towns in Xiangfan. Following the principle of being "higher than the primary militia but lower than the field troops," its ordinary troops train for 20 days every year, and specialized troops train for 3 months. It trains on its own and cooperates with field units and neighboring military subdistricts in joint training.

Sources Minbing Shenghuo (Guangzhou) 5 February 1987, in JPRS-CAR-87-022, 21 July 1987, pp.90-92

Item Date 87/02/05

RECORD: 332

Objectives MILITARY  
 Subobjectives Military Industry  
 Indicators The National Defense Science, Technology and Industry Commission announces a major reform of the defense procurement system. The armed forces are to give contracts for the development and production of weapons and other military equipment. Military research institutes and factories will bid for contracts given by the military units responsible for procuring equipment.

Sources "Contracts For Arms Research" China Daily (Beijing), 6 February 1987, p.1.

Item Date 87/02/06

RECORD: 391

Objectives MILITARY  
 Subobjectives Reorganization  
 Indicators The PLA has "basically completed" an electronic communications system linking the central command with field units. It employs satellite communications, digital microwave, and optical fiber transmission channels. "Confidential work" is increasingly being done by electronic rather than mechanical means, improving the army's ability to respond rapidly to any situation. A special computer technical force of 7,000 people is developing a computer network linking PLA headquarters, the military regions, and the main group armies.

Sources Zhongguo Xinwen She (Hong Kong), 18 February 1987, in FBIS/China, 20 February 1987, pp.K39-40



# MILITARY REFORM

## Continued

Item Date 87/02/20

RECORD: 392

Objectives MILITARY  
Subobjectives Industry  
Indicators Xie Guang, Vice Minister of the National Defense Science, Technology and Industry Commission (NDSTIC), explains the advantages of the new contractual system for arms research and production. The contract system will motivate military units, research bodies, and arms factories to cooperate, communicate, and share responsibility for projects. Since the military will be responsible for its own development and production funds instead of "ordering dishes but not paying the bill," it will try to get the best possible weapons at the lowest cost.

Sources "Defence Industry Changes Approach" China Daily (Beijing), 16 March 1987, p.4

Item Date 87/03/16

RECORD: 393

Objectives MILITARY  
Subobjectives Demobilization  
Indicators Yang Dezhi, PLA Chief of the General Staff, tells the NPC that the reduction of the armed forces by one million troops has been largely completed.

Sources "Reduction in Troops Largely Achieved," China Daily (Beijing), 28 March 1987, p.1

Item Date 87/03/28

RECORD: 394

Objectives MILITARY  
Subobjectives Reorganization  
Indicators Xu Xin, PLA Deputy Chief of Staff, says that preparations for the reintroduction of military ranks are going on, but that since the PLA is a large force that has operated without ranks for more than 20 years, the reintroduction will take time.

Sources "Reduction of Troops Right On Target," China Daily (Beijing), 6 April 1987, p.1

Item Date 87/04/06

RECORD: 395

Objectives MILITARY  
Subobjectives Industry  
Indicators Since its founding in 1984 the PLA's Xinxing Corporation has made profitable use of idle or

## MILITARY REFORM

### Continued

underused resources controlled by the PLA General Logistics Department. The Corporation controls 3,000 factories and 8,000 enterprises, including universities, research institutes and horse ranches, employing a total of 700,000 workers. It keeps 100 percent of the foreign currency it earns through exports of military products such as equipment and spare parts.

Sources China Daily, Business Weekly (Beijing), 8 April 1987, p.1  
Item Date 87/04/08

RECORD: 396

Objectives MILITARY  
Subobjectives Policy  
Indicators In the first press conference ever held by China's military leaders, PLA Deputy Chief of Staff Xu Xin tells reporters that since China is a poor country, military modernization must be compatible with economic development. Because the funds in the military budget are limited, it is imperative to use them efficiently. The central task in modernization is to raise the quality of both officers and troops through improved training. Second priority goes to improving equipment, mainly through relying on China's own design and production facilities. China has not changed its strategies of "positive defense," and the PLA is making great efforts to build a "revolutionary, modern and, professional army."

Sources "Military Leaders Meet the Press," Beijing Review, 13 April 1987, p.7  
Item Date 87/04/13

RECORD: 397

Objectives MILITARY  
Subobjectives Reserves  
Indicators Air Force reserve training has been improved and now covers more than 20 specialties, including aircraft maintenance, radar, surface-to-air missiles, and antiaircraft artillery. Reserve duty bases have been set up to train ground crew and technical specialists. The trainees would be able to perform battle roles after a short period of intensified training.

Sources "Air Force reserves Improved," China Daily (Beijing), 30 April 1987, p.3

# MILITARY REFORM

## Continued

Item Date 87/04/30

RECORD: 398

Objectives MILITARY  
Subobjectives Training  
Indicators Military training will be expanded for college and middle school students. In the fall of 1987, 105 universities and more middle schools will offer such training, an increase over the 69 universities and 104 middle schools that did so in 1986. First and second-year college students will have seven to eight weeks of military training and will study military theory and practice shooting. The "History of the PLA" course will be eliminated since it overlaps with the regular college courses.

Sources Wen Jia, "Students' Military Training To Expand," China Daily (Beijing), 8 May 1987, p.3

Item Date 87/05/08

RECORD: 399

Objectives MILITARY  
Subobjectives Reorganization  
Indicators The artillery is now the branch of the ground forces with the most troops, and group armies have more soldiers in the artillery than in the infantry. Over the past few years, artillery academies have trained 60 percent of all platoon and battery commanders.

Sources "The Artillery Is Now PLA's Strongest Arm," China Daily (Beijing), 11 May 1987, p.1

Item Date 87/05/11

RECORD: 401

Objectives MILITARY  
Subobjectives Training  
Indicators The PLA's program for training soldiers in dual military and civilian skills is making a great contribution to the country's modernization and economic growth. About 80 percent of the "dual skilled" servicemen who have returned to Shanghai after demobilization have been given important jobs in factories, enterprises, and schools. The opportunity to learn a trade has increased enthusiasm for military service. Last year in Zhejiang's Wenzhou Prefecture, where people had always been reluctant to join the army, 100,000 young people applied for 2,000 openings in the PLA.

## MILITARY REFORM

### Continued

Sources "China's Army Pays Attention To Training Qualified Personnel for Peacetime Construction," Liaowang Overseas Edition (Hong Kong), 25 May 1987, in FBIS/China, 3 June 1987, pp.K28-34

Item Date 87/05/25

RECORD: 400

Objectives MILITARY  
Subobjectives Reserves  
Indicators The reserves are being strengthened to offset deep cuts in active military units. The militia is the foundation of reserve forces. Its size has been cut and its quality improved. Apart from infantry, it now includes artillery, antiaircraft artillery, communications, engineering and other technical specialties. It also has special technical elements for the naval and air forces. More than half of China's counties have established their own militia training bases.

Sources Xinhua (Beijing), 20 May 1987, in FBIS/China, 26 May 1987, p.K19

Item Date 87/05/26

RECORD: 402

Objectives MILITARY  
Subobjectives Demobilization  
Indicators More than 100,000 PLA officers will be transferred to civilian work this year. Over 70,000 will go to local judicial, industrial, commercial, taxation, and banking offices. The officers have higher educational levels than their predecessors, and 92 percent of them have senior middle school or technical middle school educations.

Sources Zhongguo Xinwen She (Hong Kong), 27 May 1987, in FBIS/China, 27 May 1987, p.K1

Item Date 87/05/27

RECORD: 403

Objectives MILITARY  
Subobjectives Reorganization  
Indicators For the first time, the proportion of specialized units in the PLA is greater than that of the infantry. In the ground forces the proportion of armored troops is increasing, and armor units have become the main attacking force in ground battles. The number of tanks

# MILITARY REFORM

## Continued

in the PLA is among the top three in the world.

Sources Zhongguo Xinwen She (Hong Kong), 31 May 1987, in FBIS/China, 3 June 1987, p.K25  
Item Date 87/05/31

## RECORD: 404

Objectives MILITARY  
Subobjectives Reorganization  
Indicators Modernization of the PLA is marked by growth of such specialized units as the engineering and chemical defense troops, the nuclear submarine corps, and the marine corps. The Central Military Commission has placed great importance on building up electronic warfare units, whose numbers have increased as total troop strength has diminished. Group armies have meteorological units and a special mountain warfare unit is now operational.  
Sources Xu Jingyue, "New Pattern in the Development of China's Special Army Units," Liaowang Overseas Edition (Hong Kong), 8 June 1987, in JPRS Report: China, 10 July 1987, pp.66-70  
Item Date 87/06/08

## RECORD: 405

Objectives MILITARY  
Subobjectives Reorganization  
Indicators The Chinese Marine Corps is a special force that has infantry, artillery, armored forces, guided missile units, helicopters, and reconnaissance units. Its primary missions are amphibious landing and counter-landing operations. Training emphasizes coordination among ground, naval, and air forces, and exercises train units ranging in size from platoons to reinforced battalions.  
Sources Huang Caihong and Yang Guojun, "Notes on the Marine Corps, an 'Army Within the Army'" Liaowang Overseas edition (Hong Kong), 8 June 1987, in FBIS/China, 12 June 1987, pp.K15-17  
Item Date 87/06/08

## RECORD: 406

Objectives MILITARY  
Subobjectives Industry  
Indicators The National Defense Science, Technology and Industry Commission (NDSTIC) promulgates regulations for controlling the quality of military industrial products. The new regulations, China's first in this field, are

## MILITARY REFORM

### Continued

intended to replace the human factor in quality control with institutionalized and codified practices. The economic rewards of military industrial enterprises are to be linked directly to the quality of their products.

Sources

Xinhua (Beijing), 12 June 1987, in JPRS Report: China, 10 July 1987, p.83

Item Date

87/06/12

RECORD: 407

Objectives

MILITARY

Subobjectives

Policy

Indicators

Minister of National Defense Zhang Aiping says that China will attain its goal of modernization of the armed forces as long as it sticks to reform. He blames the PLA's overstaffing and low professional standards on the long-standing influence of ultra-leftist ideas. The focus in army building has shifted from preparations against an "early, big, and nuclear war" to normal peacetime operations, during which military spending will not increase. The PLA is intensifying training and restructuring, concentrating limited military funds on the modernization of conventional weapons, and improving a limited yet effective nuclear counterattack force. Any future war is expected to be a conventional war under threat of nuclear weapons.

Sources

Xinhua, (Beijing), 23 June 1987, in FBIS/China, 24 June 1987, pp.K18-19

Item Date

87/06/23